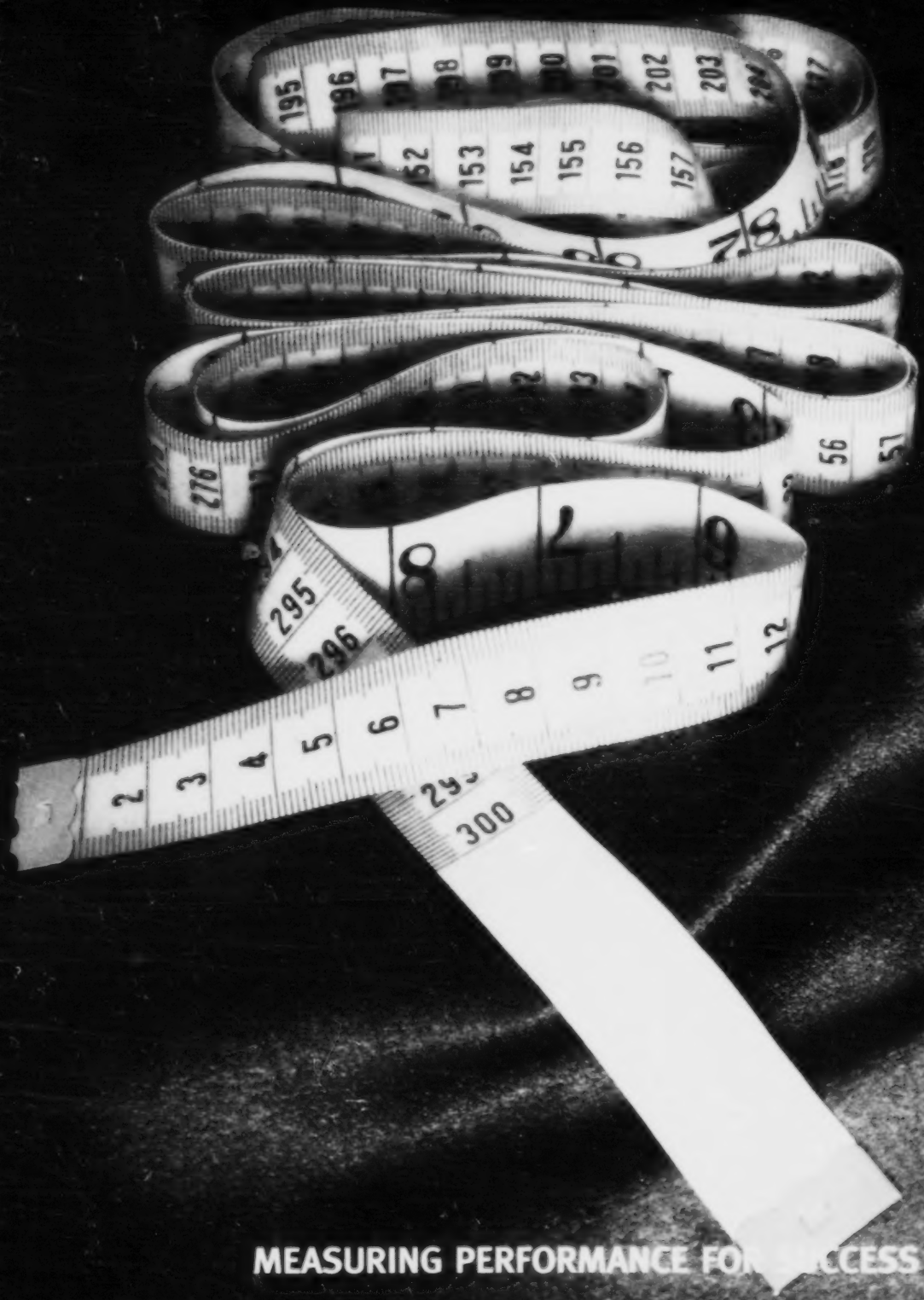
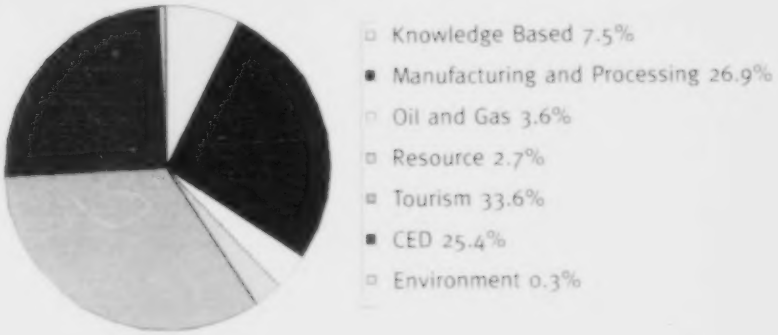
ENTERPRISE CAPE BRETON CORPORATION **ANNUAL REPORT 2004**



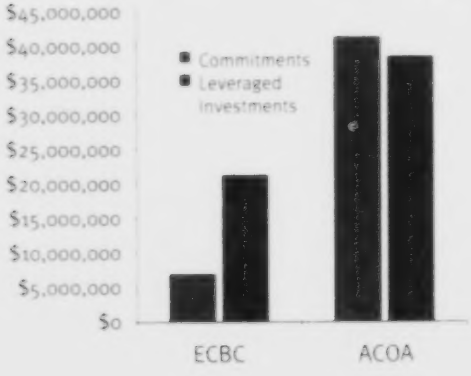
MEASURING PERFORMANCE FOR SUCCESS

ECBC KEY PERFORMANCE INDICATORS AT A GLANCE

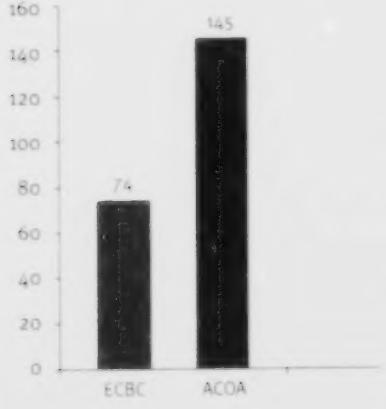
ECBC/ACOA (BDP) Commitments by Sector



ECBC/ACOA Commitments and Leveraged Investment



Number of ECBC/ACOA Projects



Canada

Enterprise Cape Breton Corporation
Société d'expansion du Cap-Breton

Commerce Tower, 3rd Floor, 15 Dorchester Street, Sydney, Nova Scotia B1P 6T7 1-800-705-3926 www.ecbc.ca

ECBC KEY PERFORMANCE INDICATORS AT A GLANCE

Project Summary: Levels of Activity Summary (2003-2004)

	ECBC Programs*	All Programs (ECBC/ACOA)
Total number of projects	74	219
Total dollar value of commitments	$6,870,476	$47,716,369
Total dollars leveraged	$21,078,246	$58,974,207
Total number of jobs created (estimated)	404	604
Percent of assistance to commercial projects	27%	29%
Percent of assistance to non-commercial projects and CBDCs	73%	71%
Percent of repayable contributions	23%	23%
Percent of non-repayable contributions	77%	77%

*Includes Community Adjustment Fund (CAF)

In the fourth year of its five-year plan, the Corporation has to date exceeded its five year targets under its strategic priorities Support to Business, Support to Communities and Investment.

A target for leveraged investment was set for the life of the Community Adjustment Fund. The Fund has now been fully committed. Leveraged investment totalled $19.7 million and was approximately 2.5 times greater than the original target of $8 million.

A new two-year target was introduced for the Advocacy function to measure operational cost-efficiencies for ECBC beginning in fiscal 2003/2004. During 2003/2004 the annual target was exceeded.

The five year target for the number of research studies under the strategic priority Policy and Research continues to be on track, now at 80% in the fourth year.

	5-year Target	% of 5-year Target Achieved
Investment		
Dollar value of new investment on Cape Breton Island	$10,000,000	617%
Advocacy		
Dollar value of operational cost efficiencies	2 year target $300,000	51%
Support to Business		
Number of jobs created*	600	168%
Dollar value of leveraged funds	$35,000,000	157%
Dollar value of new export sales	$10,000,000	1,402%

	5-year Target	% of 5-year Target Achieved
Support to Communities		
Dollar value of leveraged funds	$5,000,000	292%
Policy & Research		
Number of research projects completed	40	80%
Community Adjustment Fund		
Dollar value of leveraged funds $8,000,000 for life of Fund	$8,000,000	247%

** This includes FTEs created as a result of ECBC activities under Support to Business, Support to Communities and the CAF.*

ECBC KEY PERFORMANCE INDICATORS AT A GLANCE

Project Summary: Levels of Activity Summary (2003-2004)

	ECBC Programs*	All Programs (ECBC/ACOA)
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The five year target for the number of research studies under the strategic priority Policy and Research continues to be on track, now at 80% in the fourth year.

	5-year Target	% of 5-year Target Achieved
Investment		
Dollar value of new investment in Cape Breton Island	$10,000,000	197%
Advocacy		
Dollar value of operational cost efficiencies	2 year target $500,000	120%
Support to Business		
Number of jobs created*	1000	404
Dollar value of leveraged funds	$30,000,000	70%
Dollar value of new export sales	$50,000,000	140%

	5-year Target	% of 5-year Target Achieved
Support to Communities		
Dollar value of leveraged funds	$40,000,000	49%
Policy & Research		
Number of research projects completed	40	80%
Community Adjustment Fund		
Dollar value of leveraged funds $8,000,000 for life of Fund	$8,000,000	247%

* This includes 1,011 created as a result of ECBC activities under Support to Business, Support to Communities and the CAF

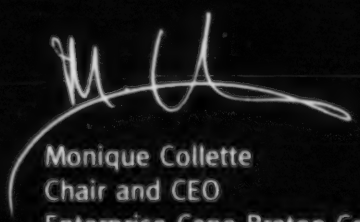
The Honourable Joseph McGuire, P.C., M.P.
Minister for Enterprise Cape Breton Corporation
and the Atlantic Canada Opportunities Agency
House of Commons
Ottawa, Ontario K1A 0A6

Dear Minister:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Enterprise Cape Breton Corporation for the fiscal year ended March 31, 2004.

This Annual Report is submitted in accordance with the provisions of the *Financial Administration Act*, and the *Government Organization Act, Atlantic Canada, 1987*. It contains the annual financial statements together with the auditor's report thereon.

Yours sincerely,



Monique Collette
Chair and CEO
Enterprise Cape Breton Corporation

105-00927/
MEASURING PERFORMANCE

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MESSAGE CHAIR AND CEO

Since May 31, 2003, I have had the pleasure of being the Chairperson and CEO of Enterprise Cape Breton Corporation (ECBC). As a native of Atlantic Canada, I am aware of the economic development challenges we face as a region, and in particular, the dramatic changes that have negatively impacted the Cape Breton economy over the last several years. I am delighted to have this opportunity to contribute to the region and to work closely with dedicated community-minded individuals like the members of the ECBC Board of Directors, who truly want to effect positive change for Cape Breton Island and Mulgrave.

ECBC plays an important role on behalf of the Government of Canada. Economic renewal is a priority for this community, and the Corporation is the principal delivery agent for federal programs and services in support of economic development.

Recognizing that rebuilding an economy is a long-term process, ECBC embarked on a five-year plan to stabilize and improve economic conditions in 2000/2001. The plan sought to increase the level of commercial activity, to promote trade and export and to attract new investment. In 2003/2004 ECBC completed the fourth year of the plan. It is a flexible approach that is fine tuned as need be, each year as part of the corporate planning process.

Despite turbulence in the international, national and local economy in 2003/2004, the indicators for Cape Breton, when viewed over the long term, still show solid progress. Jobs have been created, retail sales are up and the economic dependency ratio has declined.

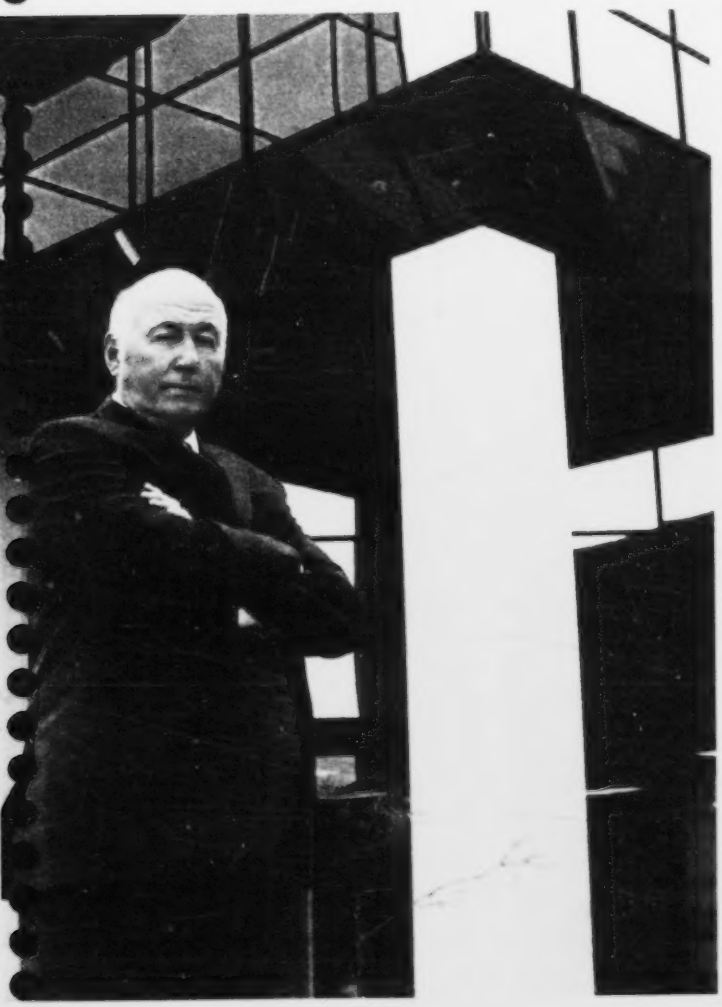
On behalf of the Board of Directors, Management and the staff of ECBC, I am pleased to present this annual report entitled Measuring Performance. It chronicles ECBC's on-going efforts to stimulate economic growth and development in its mandate area of Cape Breton Island and Mulgrave. Through its many programs and services, ECBC is not only fulfilling its legislative mandate, but it is tangibly demonstrating the Government of Canada's commitment to meeting the economic development needs of the people of this region.

MESSAGE
COO

ECBC is unique in its approach to economic development. With a broad legislative mandate and control vested in its Board of Directors, the Corporation is able to tailor its approach to best address the economic development needs of the community it serves. Our role is not only to provide programs and services in support of our mandate, but also to work with the community as it attempts to redefine and re-engineer the economic base.

Through our commercial programs, we are working with businesses in a number of sectors, helping them develop ideas and achieve their goals. With non-commercial programs we work with the community to ensure that adequate infrastructure is in place to create an environment conducive to further investment. Through our investment attraction efforts, we work to complement small business growth by promoting the Island's many attributes to companies looking to expand their operations in an area that offers a skilled work force and competitive business costs.

In 2003/2004, the Corporation continues with the implementation of its five year plan. This year ECBC approved 219 projects through several programs and in various sectors, totalling over $47 million in commitments. This investment in the community leveraged over $58 million in additional funding and resulted in the creation of 604 jobs



In terms of programs, 29% of funding was committed to commercial projects while 71% was allocated to non-commercial activities. This was the final year for the Community Adjustment Fund (CAF), an incremental fund focused on supporting the economic development needs of communities most affected by the closure of Prince Mine. The Fund was well received in the community and resulted in the development of strategic community infrastructure.

We at ECBC are very proud of what has been accomplished throughout the course of our five-year plan. After only four years, almost every target in the categories being tracked (investment, advocacy, support to business, support to communities, policy and research, and the Community Adjustment Fund) have been exceeded. When this activity is combined with the results of the other programs delivered by the Corporation and the Cape Breton Growth Fund Corporation (CBGF), it is clear that ECBC is making a significant contribution to the Cape Breton economy. To date, approximately 1,855 jobs have been created as a result of ECBC and ACOA programming over the past four years.

The ECBC approach is paying dividends in terms of job creation and investment, and I am confident that economic prospects will continue to improve. I would like to take this opportunity to thank the ECBC Board of Directors, Management and staff for their hard work and determination over the past number of years.

SENIOR

DIRECTOR GENERAL OF DEVELOPMENT
FRANCIS MULLINS
DIRECTOR OF OPERATIONS
JOE CASHIN
DIRECTOR OF INTERNAL AUDIT
WENDELL MACGILLIVARY
DIRECTOR OF ADVOCACY

VICE PRESIDENT AND CHIEF OPERATING OFFICER
D.A. LANDRY
DIRECTOR OF COMMUNICATIONS
LORI MARENICK
DIRECTOR GENERAL OF CORPORATE SERVICES
MARLENE USHER
DIRECTOR GENERAL OF COMMERCIAL PROGRAMS

CORPORATE PROFILE

CORPORATE MANDATE

The Enterprise Cape Breton Corporation Act provides the Corporation with a broad legislative mandate which reads:

> *The objects of the Corporation are to promote and assist, either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on Cape Breton Island* to provide employment outside the coal producing industry and to broaden the base of the economy of Cape Breton Island.*
>
> **This definition of Cape Breton includes the Mulgrave area.*

MISSION

The mission statement focuses the Corporation on the major issues affecting the economy of Cape Breton Island and the Mulgrave area. ECBC's mission statement reads:

> *Enterprise Cape Breton Corporation (ECBC) is the principal federal government organization for economic development in Cape Breton. ECBC, in partnership with all levels of government, the private sector and other community stakeholders, will use its broad and flexible powers to assist, promote and co-ordinate efforts that foster an environment supportive of the generation of wealth to effect sustainable job creation throughout Cape Breton Island and Mulgrave.*

POSITION WITHIN GOVERNMENT

As a Crown corporation, ECBC is a distinct entity which reports to Parliament through the Minister of the Atlantic Canada Opportunities Agency (ACOA), who is also responsible for ECBC and the Cape Breton Growth Fund (CBGF).

In addition to its own programs, ECBC is responsible for the delivery of the programs of ACOA on Cape Breton Island. In 1995, ECBC and ACOA signed a Memorandum of Understanding (MOU) allowing ECBC to design its programming and economic development strategies to complement ACOA programming. The MOU was renegotiated with ACOA for an additional five-year term effective April 1, 2000.

In August 2000, the CBGF was incorporated as a wholly-owned subsidiary of ECBC with its own Board of Directors. The Governor-in-Council declared that Part X of the *Financial Administration Act* (FAA) applies to the CBGF as if it were a parent Crown corporation. This means that the CBGF reports separately to Parliament through its own Corporate Plan and Annual Report. ECBC, through a MOU with the CBGF, provides program and operational support, thereby minimizing administrative overhead.

In addition to its relationship with the CBGF and ACOA, the Corporation is a member of the Industry Portfolio. ECBC has a history of working in partnership with the federal Department of Human Resources and Skills Development, the Nova Scotia Department of Economic Development, regional development authorities, Nova Scotia Business Inc., the Nova Scotia Department of Tourism, the Nova Scotia Department of Energy, the Cape Breton Development Corporation (DEVCO) , Destination Cape Breton, the Community Business Development Corporations, not-for-profit organizations, municipalities and the private sector on a number of economic development initiatives.

ECBC has and will continue to foster working relationships with all levels of government.

BOARD OF DIRECTORS

2003/2004

Ms. Collette assumed the responsibilities as Chair and CEO of Enterprise Cape Breton Corporation on May 31, 2003. Prior to this appointment, she was Assistant Deputy Minister, Corporate Services, with the Department of Justice.

Vice President and COO, formerly Director, Corporate Affairs and Programs with ACOA in PEI and Departmental Liaison to the Minister's Office, ACOA – Ottawa.

Administrator, Hôpital Sacré-Coeur and Foyer Père Fiset, Chéticamp, Nova Scotia.

Small business owner, president of McFadgen's Bakery, Marion Bridge, Nova Scotia.

Educator (Nova Scotia Community College, Strait Campus) and community economic development activist, River Denys, Nova Scotia.

Chartered Accountant with KPMG Chartered Accountants, Glace Bay, Nova Scotia.

A partner in the law firm of Sampson McDougall, Sydney, Nova Scotia.

THE ECONOMIC CONTEXT

The Cape Breton economy continues to adjust to the loss of the coal and steel industries that occurred approximately four years ago. While progress has been made, further growth in a diverse set of industries will be needed in order to replace the void left behind by these closures. The overall economic indicators for the Cape Breton economy show improvement in spite of a difficult year in 2003.

> *Then came 2003 - which could well be named "The Year of the Shocks"*
> *Remarks by David Dodge, Governor of the Bank of Canada, to the Vancouver Board of Trade Vancouver, British Columbia*
> *10 September 2003*

A number of shocks affected the Canadian economy in 2003 including the sharp appreciation of the Canadian dollar and the outbreak of Severe Acute Respiratory Syndrome (SARS) in Ontario. The Gulf War and the cases of bovine spongiform encephalopathy (BSE), also known as "mad cow disease" also had negative affects on the overall economy. Cape Breton was not immune to the negative effects of these shocks. Like many other areas, it experienced a sharp decline in tourism, which represents a large segment of the Island economy. Data gathered by the Economic Planning Group of Canada while conducting the Cape Breton Accommodation Needs Assessment Study indicate that 2003 was a slow tourist year for the Island as demand for roofed accommodations fell from 446,100 room nights in 2002 to 422,000 room nights in 2003.[1]

Within the context of a poor tourism season and the appreciated dollar, available economic indicators point toward a slip in recovery for the Island economy. The annual unemployment rate increased year over year by a little more than a percentage point from 15.1% in 2002 to 16.2% in 2003. Temporary shocks at any time can have a negative impact on an economy. Instances like the cases of SARS in Ontario are both impossible to predict and difficult to mitigate.

[1] The Economic Planning Group of Canada: "Cape Breton Accommodation Needs Assessment Study" 2004, p 32

ANNUAL LABOUR FORCE

Cape Breton Island

	2002	2003
Population aged 15+	120,700	119,800
Labour Force	64,200	62,900
Employment	54,500	52,700
Full-time	43,400	42,200
Part-time	11,200	10,500
Unemployed	9,700	10,200
Unemployment Rate	15.1%	16.2%
Participation Rate	53.2%	52.5%
Employment Rate	45.2%	44.0%

Historical Labour Force Data 2003, Statistics Canada

ANNUAL UNEMPLOYMENT RATE

Cape Breton Island

Historical Labour Force Data 2003, Statistics Canada

The good news is that these shocks are only temporary in nature and that once they have been contained, will allow for regular economic growth. The tourism season is expected to rebound in 2004 with an improving economy in the United States, as well as Cape Breton's ranking second in a survey of experts published by National Geographic Traveler Magazine to evaluate sustainable tourism and destination quality.[2] The year 2004 will also see the Congrès mondial acadien and a visit from the tall ships, both of which are expected to bring increased visitation to the Island. This should allow the Island's economy to resume its long-term growth trend of growth.

Over the long-term, indicators have been trending upward, particularly in the past ten years. Although the unemployment rate was up in 2003, it remains far below levels observed since 1993 when the rate was 25.3%. The unemployment rate in 2003 was 16.2%, the second lowest since 1993, and was only higher than 15.1% which was reported in 2002. Available data point towards increasing incomes per earner on Cape Breton. Employment shows an overall upward trend since 1993 as well, although the conditions described above caused a dip in 2003.

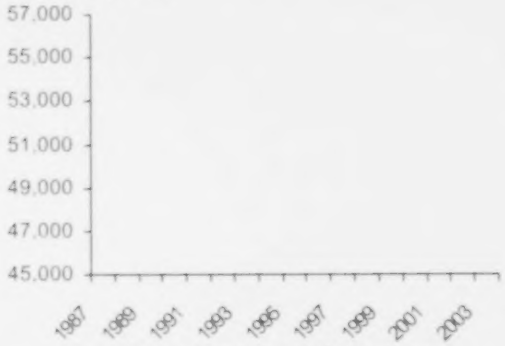
Population levels continue to be a concern for the Cape Breton economy as birth rates fall and persistent income differentials with the rest of Canada keep net-migration negative. The effects of population loss tend to be very direct on an economy. Fewer people in a region mean that domestic demand is lessened and productive capacity on the Island is lowered. Less domestic demand creates difficulties for those who supply non-tradable goods to the Island. Less productive capacity means that the Island's growth potential could be challenged.

Addressing the causes of population loss, such as persistent income differentials, is the most effective way to retain population. This is accomplished by creating employment opportunities by growing domestic producers and by encouraging investment from outside of the Island. This can also be complemented with a strategy for attracting new immigrants to a region. An immigration strategy was recently completed that provides recommendations on how Cape Breton can increase the number of immigrants locating on Cape Breton Island.

[2] "National Geographic Traveler" Volume 21, Number 2, March 2004, p 60-67

ANNUAL EMPLOYMENT

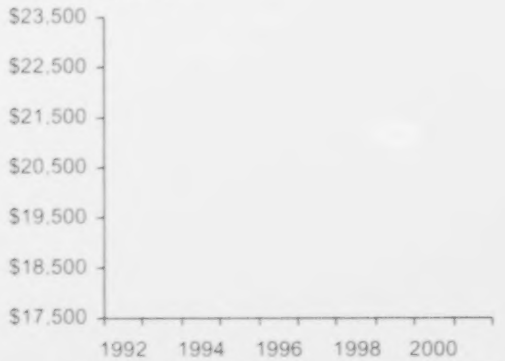
Cape Breton Island



Historical Labour Force Data 2003, Statistics Canada

EMPLOYMENT INCOME PER EARNER

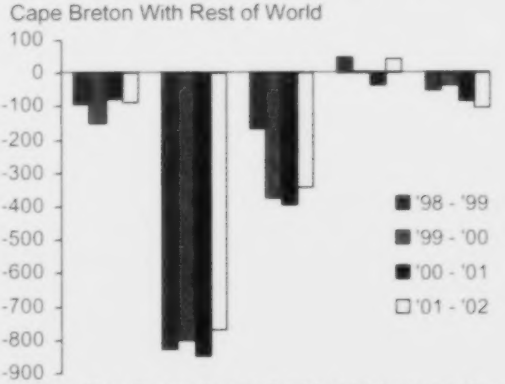
Cape Breton Island



Neighbourhood Income & Demographics, Statistics Canada

NET ISLAND MIGRATION BY AGE

Cape Breton With Rest of World



Migration Table, Statistics Canada, Small Area & Administrative Data

PERFORMANCE AGAINST OBJECTIVES

In the context of greater government accountability, ECBC developed a more comprehensive, results-focused accountability structure in 2000/2001. This structure clearly defines the results to be achieved in terms of impacts and effects of the programs or services being delivered.

The Treasury Board Secretariat outlines a number of guiding principles for the development of results-based management and accountability frameworks:

- **Utility** — to ensure that managers can use the framework to explain their policies, programs and initiatives to Canadians and to institute sound performance measurement approaches and manage for results.
- **Shared ownership** — to meet the needs of all stakeholders and with the active involvement of managers, to ensure that information needs of managers, as well as formal accountability requirements are met.
- **Transparency** — to ensure that all stakeholders understand what outcomes are expected, as well as how and when they will be measured.
- **Decision - and action-oriented** — to ensure that information needed by managers and other stakeholders is available when it is required for key decisions.
- **Credibility** — to ensure that professional standards are adhered to and that the framework establishes realistic commitments for measurement and reporting.
- **Flexibility** — to respond to the ever-changing context within which policies, programs and initiatives operate, the framework needs to be regularly revisited and adapted as necessary.

Based on similar principles, ECBC's performance management framework ensures that there is a consistent basis for presenting results-oriented information on the Corporation's activities from year to year. Performance management ensures that through the monitoring of a set of indicators and the reporting of performance data to management, the Corporation's processes, programs and services are aligned with and contribute to the attainment of its objectives. ECBC's performance monitoring and evaluation exercise:

- verifies that the Corporation is achieving what it set out to achieve;
- provides feedback on corporate goals and outcomes for management planning; and
- provides a basis for public reporting and accountability.

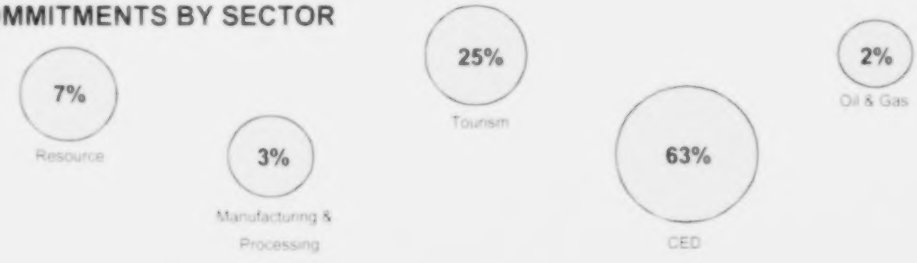
Based upon the Corporation's performance management framework, the next section of this report outlines the Corporation's strategic priorities, activities and key results for 2003/2004. The Corporation's strategic priorities include: Support to Business, Support to Communities, Community Adjustment Fund (CAF), Investment, Advocacy, Policy and Research and Provision of Services for the Government of Canada.

HIGHLIGHTS OF THE CORPORATION'S 2003/2004 PERFORMANCE AGAINST

	Targets Annual	2003-2004	% of Annual Target Achieved	5-year Target	% of 5-year Target Achieved
Investment					
Dollar value of new investment on Cape Breton Island	$2,000,000	$15,978,750	799%	$10,000,000	617%
Advocacy					
Dollar value of operational cost-efficiencies	$150,000	$152,100	101%	2-year target $300,000	51%
Support to Business					
Number of jobs created*	50	404	808%	600	168%
Dollar value of leveraged funds	$3,000,000	$3,350,417	112%	$35,000,000	157%
Dollar value of new export sales	$2,000,000	$449,038	22%	$10,000,000	1,402%
Support to Communities					
Dollar value of leveraged funds	$1,000,000	$1,690,454	169%	$5,000,000	292%
Policy & Research					
Number of research projects completed	8	7	87%	40	80%
Community Adjustment Fund					
Dollar value of leveraged funds $8,000,000 target for life of Fund	$8,000,000	$16,037,375	N/A	N/A	247%

** This includes FTEs created as a result of ECBC activities under Support to Business, Support to Communities and the CAF.*

TOTAL PERCENTAGE OF COMMITMENTS BY SECTOR



PERFORMANCE AGAINST

STRATEGIC PRIORITY – SUPPORT TO BUSINESS

OBJECTIVE

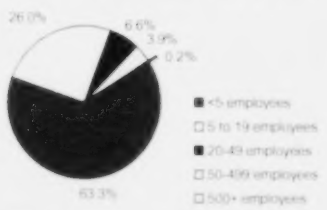
To grow the economy by encouraging private sector investment in projects that enhance the competitiveness of commercial enterprises and increase trade opportunities to produce long-term, sustainable jobs.

The Corporation assists in the development of businesses in Cape Breton by helping them overcome barriers to growth, particularly access to capital. Conventional means for accessing capital tend to be more difficult in this region given the small size of the economy, which increases the reluctance of financial institutions to provide financial capital. ECBC's access to capital can take the form of secured, unsecured or interest-free loans, equity or grants. Over the past four years, ECBC has committed an estimated $11.7 million to commercial enterprises in Cape Breton.

The majority of businesses in Cape Breton are small and medium- sized enterprises (SMEs). SMEs account for 50% of total employment in Nova Scotia. Small businesses with fewer than 50 employees are the engine of the economy in Nova Scotia. (Nova Scotia Small Business Primer, Canadian Federation of Independent Business (CFIB)). Assisting SMEs remains a focus for the Corporation. Three-quarters of Canada's one million businesses employ fewer than five people and 97% of all businesses have fewer than 50 employees.

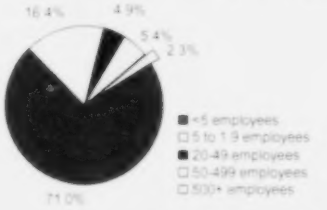
> *"Mr. Speaker, Canada's small and medium-sized businesses remain key engines of Canadian growth, taking risks, seizing opportunities, creating jobs."*
>
> [illegible]

CAPE BRETON EMPLOYERS BY SIZE



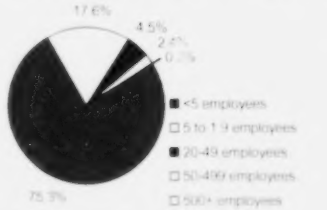
Statistics Canada, Business Registry Data

NOVA SCOTIA EMPLOYERS BY SIZE



CFIB Nova Scotia Small Business Primer, Dec. 2003

CANADIAN EMPLOYERS BY SIZE



CFIB Big Picture, Nov. 2003

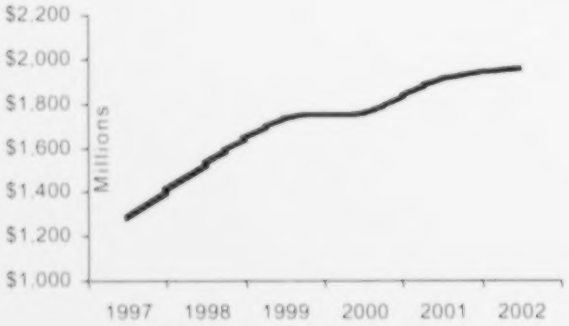
In 2000 /2001, ECBC set a target to create 500 jobs over five years. The Corporation reached that target prematurely, creating an estimated 1,009 jobs by the end of fiscal 2003/2004. Having exceeded the five-year target for job creation, the Corporation lowered its annual target from 100 to 50 in 2003/2004 so that focus could be redirected to other targets. With two years left in the five year plan, each with a job creation target of 50, the five-year target was increased to 600 to reflect that the previous target of 500 had been exceeded.

The annual target of 50 was exceeded in 2003/2004 as 404 estimated jobs were created. These jobs came about because of a tele-service centre that was established as a result of outside investment. Projects with large amounts of foreign investment create immediate impacts with regard to economic development results for a small region such as Cape Breton. This type of capital injection tends to be relatively large compared to the levels of domestic investment and growth for such a region. Therefore, a target of 50 jobs is reasonable given the nature of domestic capacity, however, this target may be exceeded if a substantial amount of foreign investment occurs.

The Corporation continues to focus its efforts on companies that have export potential. ECBC has prematurely exceeded its five-year target, achieving $140.2 million in new export sales over the last four years. During 2003/2004, ECBC fell short of its annual target due to a lower volume of commercial projects funded by the Corporation. Initially, the Corporation had established a 70%/30% funding allocation for commercial/non-commercial projects. This was changed to 50% commercial and 50% non-commercial during the 2003/2004 corporate planning process. Given that the Cape Breton economy is in transition, a number of non-commercial projects are needed to help create an environment conducive to private sector/commercial investment. To this end, the 2003/2004-2007/2008 Corporate Plan highlights a number of initiatives relating to human resource capacity building, infrastructure investment and community revitalization.

ESTIMATED EXPORT SALES

Cape Breton Island



The Export Data for Cape Breton is estimated by Canmac Economics Ltd.

SUPPORT TO BUSINESS - RESULTS ACHIEVED

Measures	Targets Annual	Performance Against Targets				Targets 5-Year	% of Targets Achieved	
		2000–2001	2001–2002	2002–2003	2003–2004			
Estimated Number of Jobs Created**	50	413	68	124	404***	600	168%	■
Dollar Value of Leveraged Funds	$3 M	$43.1 M*	$2.9 M	$5.7 M	$3.3 M	$35 M	157%	■
Dollar Value of New Export Sales	$2 M	$55.7 M	$2.9 M	$81.1 M	$0.5 M	$10 M	1,402%	■

● Stopped and/or has fallen short of target △ Not on target/experiencing some slippage ■ On schedule or exceeds target

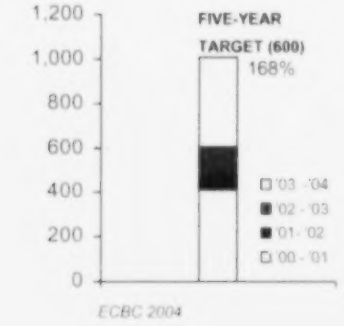
** Based on total project cost*

*** Also includes jobs created as a result of ECBC's activities under Support to Communities and the CAF*

****This number includes jobs created as a result of combining a CAF project for an incubator building (which was brought forward from 2002/2003) and the Spiegel Tele-service project as both were contingent upon each other*

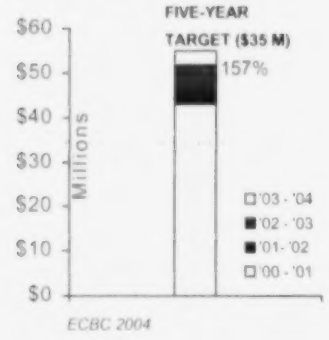
ECBC continues to exceed its annual and five-year targets for leveraged investment. In 2002/2003, ECBC revisited its five-year target, increasing it from $20 million to $35 million. Since 2000/2001, the Corporation has leveraged approximately $55.1 million as a result of its Support to Business activities.

ESTIMATED JOBS CREATED



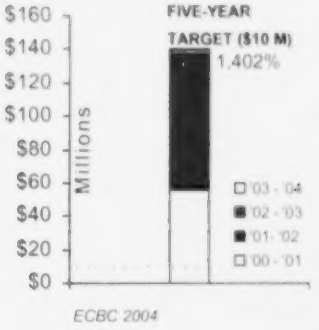
ECBC 2004

LEVERAGED FUNDS



ECBC 2004

NEW EXPORT SALES



ECBC 2004

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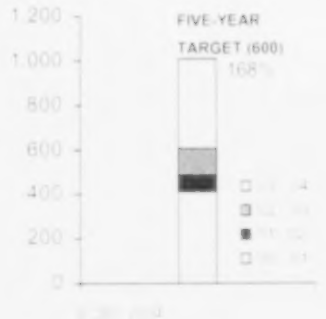

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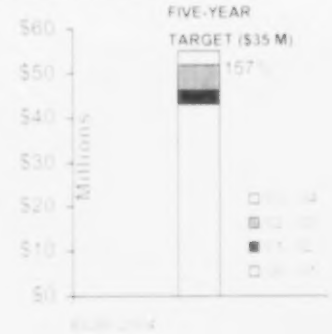

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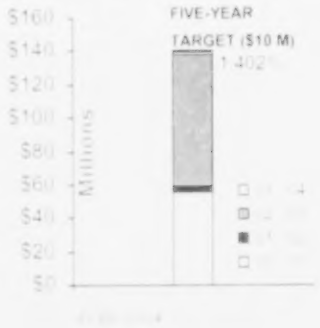


STRATEGIC PRIORITY – SUPPORT TO COMMUNITIES

OBJECTIVE

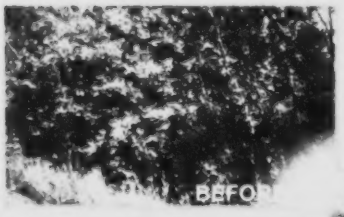
To help communities plan and implement community development projects that have a direct link to long-term, self-sustaining economic activity.

Community development can take a number of forms. The Corporation views community development as a process whereby the communities themselves initiate and generate solutions to their specific economic challenges. During 2003/2004, the Corporation continued to work closely with a number of community economic development organizations to achieve the specific goals identified and spearheaded by the communities. Activities ranged from specific tourism initiatives, developing and implementing strategies for economic development, as well as supporting the development of new and improved community infrastructure.

In 2003/2004, ECBC once again provided support to a number of festivals and events taking place across the Island. As part of ECBC's Festival and Events Initiative, the Corporation funded 47 festivals and events in all four counties. The Festival and Events program is designed to build capacity and provide quality attractions that will enhance both the tourism and arts and culture sectors on Cape Breton Island. As determined by the 2002/2003 economic impact analysis of the Festival and Events Initiative, these events generate $9.60 in incremental income per dollar provided by ECBC. The value of these events annually exceeds $19.8 million in economic output, as measured by the GDP.

During 2003/2004 the Corporation committed support to the construction of a Centre for the Celtic Music Interpretive Society of Judique (CMISJ). The CMISJ will accommodate archival materials and artifacts related to Celtic music. It will be a focal point for the many visitors to Inverness County who have a particular interest in Celtic culture in North America and will offer tours, workshops, demonstrations and special interpretive performances of Celtic music.

"Celtic music is part of our culture and we are pleased to share it with visitors," says Leo MacDonnell, president of the CMISJ. "Since 1999, the number of people visiting the Centre has increased significantly. This funding will enable us to expand our operation and offer more services."



Margaree River, Cape Breton

The Corporation also provided support to the Viewscapes program to restore scenic vistas throughout Cape Breton Island, including the ever popular Cabot Trail. The program, originally initiated by ECBC in 1997, involves maintenance to all sites completed to date, as well as clearing work on new strategic sites across the Island.

In addition to a number of other initiatives during 2003/2004, the Corporation supported a unique program, Newspapers in Education, which is an international program that was started almost 50 years ago to advance the use of newspapers in schools. The main purpose of the program is to improve the level of reading, spelling, writing and entrepreneurial abilities among youth within the school system. The newspaper has been delivered to students in all 56 schools in the Cape Breton Victoria School Board. During the school year, approximately 400,000 newspapers were distributed to these schools.

SUPPORT TO COMMUNITIES - RESULTS ACHIEVED

Measure	Target Annual	Performance Against Target				Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003	2003-2004		
Dollar Value of Leveraged Funds	$1 M	$0.9 M	$5.0 M	$6.9 M	$1.7 M	$5 M	292% ■

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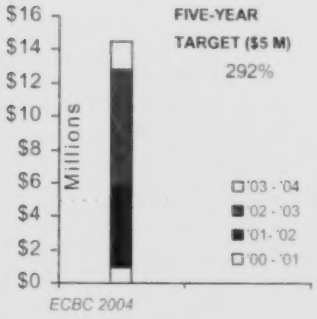
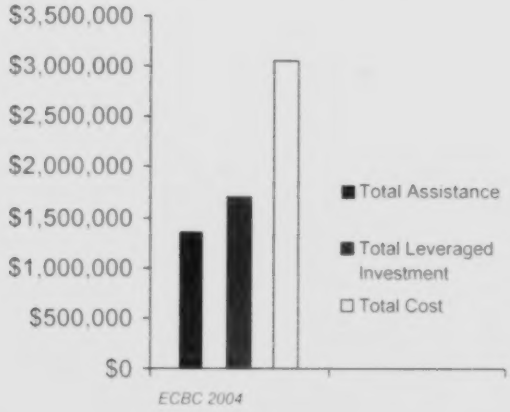
LEVERAGED INVESTMENT



SUPPORT TO COMMUNITIES 2003/2004



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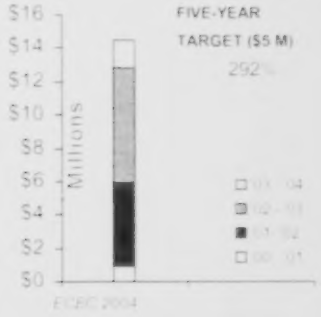
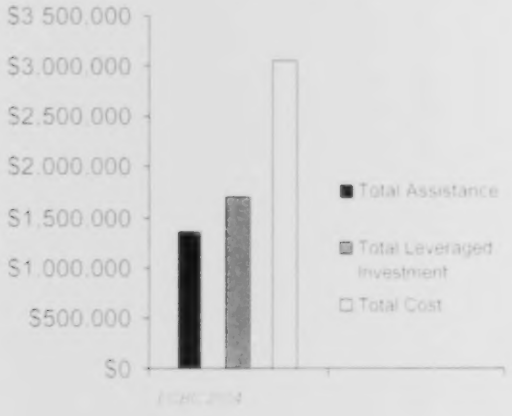


SUPPORT TO COMMUNITIES 2003/2004



In total, the Corporation leveraged $1.7 million in 2003/2004 under its Support to Communities activities, exceeding its annual and five-year targets.

STRATEGIC PRIORITY – COMMUNITY ADJUSTMENT FUND

OBJECTIVE

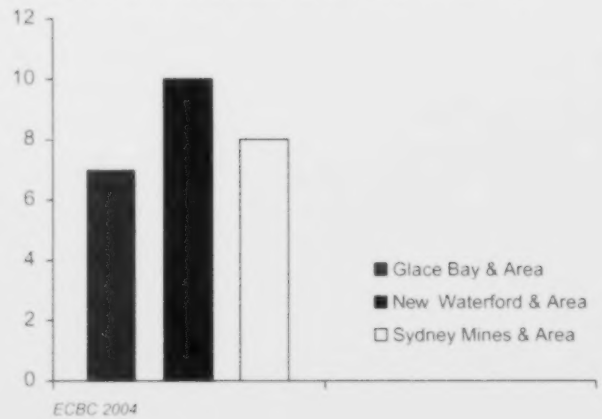
To support quality infrastructure in order to facilitate the long-term, sustained growth of the affected communities.

On May 16, 2001, the Government of Canada announced that it had accepted the recommendation of the DEVCO Board of Directors to immediately begin an orderly closure of the Prince Mine. The recommendation followed unsuccessful attempts by Devco to conclude a sale of the mine. In response to the closure of the Prince Mine, the Government of Canada committed to an additional $28 million to bolster the Cape Breton Island economy.

Of the $28 million in new funding, $18 million was allocated to the CBGF to be invested in a number of identified priority sectors. The remaining $10 million was allocated to ECBC and set up as the CAF.

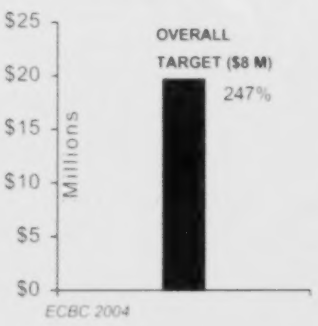
The CAF was targeted at those communities most negatively impacted by the closure of the Prince Mine, namely, Glace Bay, New Waterford, and Sydney Mines & Area. The intent of the Fund was to support quality infrastructure in order to facilitate the long-term sustainable growth of the affected communities. CAF projects fall within two general areas: strategic planning for future initiatives and the establishment/upgrade of infrastructure.

NUMBER OF PROJECTS BY COMMUNITY



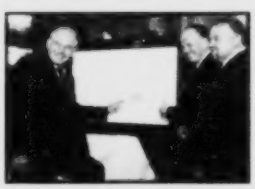
The CAF was fully committed in 2003/2004. A total of 25 projects were supported over a period of approximately 30 months with all three target areas having a relatively equal level of activity in terms of numbers of funded initiatives. Leveraged investment totalled $19.7 million and was approximately 2.5 times greater than the original target of $8 million. The majority of leverage came from the corporate/private sector. The CAF supported the construction of an incubation building that now houses the Spiegel Tele-service Centre, anticipated to create 700 full-time jobs and an average annual payroll of about $10,000,000.

LEVERAGED INVESTMENT

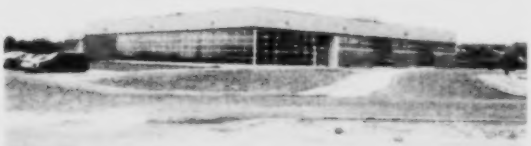


ECBC commissioned an evaluation of the CAF to determine if the Fund produced the expected results for the affected communities, the taxpayer and the Cape Breton economy. The report determined that the CAF was very successful in meeting its objectives. In general, CAF investments had broad approval and support within the communities.

The evaluation found that community representation in the selection and funding of CAF projects was significant. Projects were undertaken by 11 proponents, nine of which were long standing community-based not-for-profit societies largely dedicated to community advancement with broadly representative memberships and directors. Each of the targeted communities engaged CAF within the framework of individual strategic plans that cited the vital importance of strategic infrastructure investment. Within the target communities, CAF investments are generally viewed as consistent with and supportive of global objectives.



Announcing plans for the Spiegel Tele-service Centre (L-R) Bob Ojolick, Ojolick Associates Architecture, the Honourable Mark Eyking, MP Sydney-Victoria, and Ronald MacDonald, of the New Waterford Economic Renewal Association.



The Spiegel Tele-service Centre, as it stands today, up and running.

Three Principles for the Community Adjustment Fund

- *Employ partnerships in the advancement of projects*
- *Ensure sustainability in all projects*
- *Optimize leverage and incrementality*

Lessons Learned

The planning model adopted in the delivery of CAF embodied a process that was skewed to stakeholder input. It was based on a number of key principles, including:

- *Transparency*
- *Consultation*
- *Stakeholder input*
- *Broadly based communications*
- *Model included a dedicated professional from ECBC working within the affected communities*

Dan White and Associates: Evaluation of the CAF

Lessons Learned: Impact on the Community

- *Community stakeholders and key informants contacted as part of the evaluation were forthcoming in the acclamation of projects undertaken in the three communities as part of the CAF.*

- *The vast majority cited a noticeable shift in attitude among community residents who prior to CAF interventions were disheartened by the overall poor condition of community assets, in particular downtown areas, and less than enthusiastic about the future.*

- *Several respondents who participated in the evaluation provided examples of progress within the target communities attributable to CAF and repeatedly emphasized a noticeable change in the collective demeanour of residents.*

Dan White and Associates: Evaluation of the CAF

COMMUNITY ADJUSTMENT FUND - RESULTS ACHIEVED

Measure	Target	Performance Against Target			% of Target Achieved
		2001–2002	2002–2003	2003–2004	
Dollar Value of Leveraged Funds	$8 M	$0.5 M	$3.2 M	$16.0 M	247% ■

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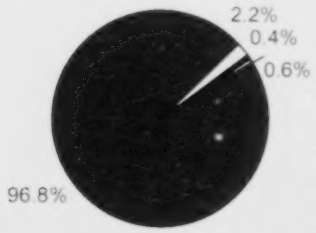
CAF COMMITMENTS ($)



ECBC 2004

Project Categories

15 projects focused on infrastructure
8 projects involved planning and business case development
1 project concentrated on training
1 project concentrated on marketing

ECBC 2004

The Glace Bay downtown revival created new exterior store facades, signage, lighting, landscaping and infrastructure that will spur new entrepreneurial activity, help in the establishment of new businesses and assist in business expansion and retention. Glace Bay has become a more attractive place to do business and a more attractive place to shop. To celebrate the completion of the revitalization, an official opening ceremony was held on December 6, 2003.

STRATEGIC PRIORITY – INVESTMENT

OBJECTIVE

To attract new business investment to Cape Breton Island.

ECBC is committed to growing investment on Cape Breton Island. New business investment can bring much needed economic benefits and skills to the area. Under any circumstance, the process of generating economic growth by mobilizing and organizing a region's resources can take time. Being a smaller region on the periphery of large markets, the economies of scale tend to present certain challenges to Cape Breton. The small size of the region and its distance from large markets makes it difficult to generate enough domestic capital to invest in large ventures. Attracting foreign investment (from outside of Canada, as well as other parts of Canada) allows for an amount of growth over a much shorter time period than would be possible by primarily using domestic resources.

The Corporation has set a five-year target for new investment on Cape Breton that includes annual targets. The Corporation captures new investment by identifying foreign direct investment from outside Canada, as well as off-Island investment from within Canada.

During 2003/2004, the Corporation attracted $15.9 million in new investment for Cape Breton primarily as a result of the investment made by Spiegel to locate its tele-service centre in New Waterford. The Corporation has exceeded its annual and five-year targets for investment.

INVESTMENT - RESULTS ACHIEVED

Measure	Target Annual	Performance Against Target				Target 5-Year	% of Target Achieved
		2000–2001	2001–2002	2002–2003	2003–2004		
Dollar Value of New Investments	$2 M					$10 M	617% ■
Canadian Investment		$42.2 M	$ -	$3.5 M	$ -		
Foreign Investment		$ -	$ -	$ -	$16 M		

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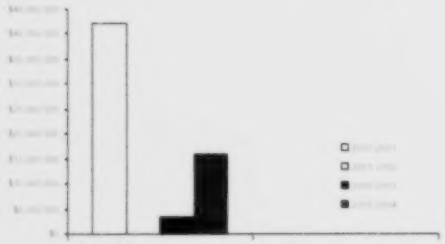
FOREIGN & CANADIAN INVESTMENT



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FOREIGN & CANADIAN INVESTMENT

STRATEGIC PRIORITY – ADVOCACY

OBJECTIVE

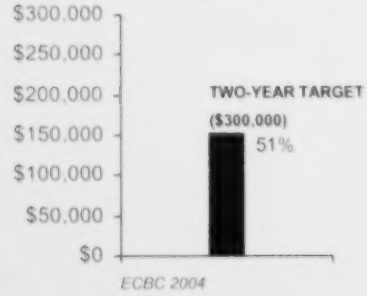
To advocate for Cape Breton Island's interests, priorities and concerns in government decisions.

The advocacy activities at ECBC are aimed at increasing Cape Breton Island's presence at inter-and intra-governmental meetings. The advocacy function ensures that the particular needs of this region are forefront in the minds of officials when looking at province-wide or region-wide programs.

The advocacy office is involved in the following committees and working groups.

- Federal Council and Federal Council Sub-Committees
- Life Sciences Economy Initiative
- Federal Economic Development Coordinating Committees & Provincial Deputy Ministers
- The Aboriginal Economic Development Advisory Committee
- Nova Scotia Innovation Team
- Advocacy Working Group
- Post EDA Follow-up Steering Committee
- "Marshall" Economic Advisory Committee
- Federal Partners Immigration Working Group
- Chair, Strengthening Communities Initiative (NS Innovation Team)
- Federal/Provincial Transportation Committee
- Climate Change Working Group
- Service Delivery Working Group
- Federal Council Policy Committee

OPERATIONAL COST-EFFICIENCIES



During 2003/2004, the Advocacy mandate was realized by the following activities.

Nova Scotia Innovation Team

The Nova Scotia Innovation Team comprises a number of federal and provincial partnerships. The objective of the Team is to develop and pursue a shared vision and action plan for an enhanced innovation system in Nova Scotia. Five working groups were established by the Team to facilitate its priorities:

- understanding innovation;
- innovation environment;
- knowledge performance;
- strengthening communities (co-chaired by the Director of Advocacy), and
- skills (Highly Qualified People Initiative).

The strengthening communities initiative is co-chaired by ECBC's Director of Advocacy. It provides an excellent vehicle for communicating the Cape Breton perspective vis-à-vis innovation and the skills agenda. A work plan was completed during 2003/2004 that identified two key areas of study:

- broadband; and
- community-driven innovation cluster development.

Strategic Focus Project

The mandate of the project is to lead Nova Scotia toward a more strategic approach to economic development, with a particular emphasis on encouraging innovative and world competitive SMEs in urban and rural communities.

Bilateral Session between Environment Canada and ECBC

A bilateral session was held between Environment Canada and ECBC during 2003/2004. The session addressed three topics: climate change, SMEs, and First Nation communities. As a result of this session, a committee has been established that includes ECBC, ACOA and Environment Canada. The committee will explore opportunities to work with First Nation communities on issues related to sustainable development and resource management.

Nova Scotia Service Delivery Working Group

During 2003/2004, the Director of Advocacy became a member of this newly formed working group. The group is mandated with the responsibility of addressing the implications associated with the Treasury Board Service Delivery initiative on behalf of the Canadian citizenry. The objective of this initiative is to find new and improved ways to serve the needs of Canadian citizens such as the Government On-Line initiative.

Operational Cost-Efficiencies

The Advocacy target for incremental spending on Cape Breton Island has been eliminated. The target was originally conceived in relation to the Economic Development Agreement that has since expired. A new two-year target has been introduced to measure operational cost-efficiencies for ECBC beginning in fiscal 2003/2004.

Operational cost-efficiencies are calculated using a methodology that assumes the average cost of return travel from Sydney to Halifax is $950. Travel savings are estimated by multiplying this cost by the number of days on which there were meetings that ECBC staff would have normally been required to attend. This calculation does not capture any "travel savings" for meetings, events or sessions attended by the Director of Advocacy which ECBC normally would not have attended.

During 2003/2004, ECBC achieved its annual target for operational cost-efficiencies.

ADVOCACY - RESULTS ACHIEVED

Measure	Target Annual	Performance Against Target				Target 2-Year	% of Target Achieved	
		2000–2001	2001–2002	2002–2003	2003-2004			
Dollar Value of Operational Cost-Efficiencies for ECBC	$150,000	N/A	N/A	N/A	$152,100	$300,000	51%	■

● Stopped and/or has fallen short of target △ Not on target/experiencing some slippage ■ On schedule or exceeds target

The strengthening communities initiative is co-chaired by ECBC's Director of Advocacy. It provides an excellent vehicle for communicating the Cape Breton perspective vis-à-vis innovation and the skills agenda. A work plan was completed during 2003/2004 that identified two key areas of study:

- broadband; and
- community-driven innovation cluster development.

Strategic Focus Project

The mandate of the project is to lead Nova Scotia toward a more strategic approach to economic development, with a particular emphasis on encouraging innovative and world competitive SMEs in urban and rural communities.

Bilateral Session between Environment Canada and ECBC

A bilateral session was held between Environment Canada and ECBC during 2003/2004. The session addressed three topics: climate change, SMEs, and First Nation communities. As a result of this session, a committee has been established that includes ECBC, ACOA and Environment Canada. The committee will explore opportunities to work with First Nation communities on issues related to sustainable development and resource management.

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FIRST NATION YOUTH BUSINESS SUMMIT

In June 2003, ECBC co-hosted a First Nation Youth Business Summit held over a two-day period.

The Summit brought together 135 Aboriginal youth from across the 13 First Nation communities in Nova Scotia to explore entrepreneurship as a viable career option. The keynote address was delivered by John Kim-Bell, a world-renowned conductor, director and producer, who has been instrumental in the establishment of the National Aboriginal Achievement Foundation, which has awarded $14 million in scholarships to Aboriginal youth. Mr. Bell advised young people to determine what it is they want to do and pursue it and not let anyone discourage them.

The Summit included a trade show, workshops, interactive sessions, a discussion on career trends and numerous presentations by well known Canadians such as Susan Aglukark and Tom Jackson.

STRATEGIC PRIORITY – POLICY AND RESEARCH

OBJECTIVE

To help provide a sound basis for the Corporation's policy, priorities and programs.

Policy development requires sound research and analysis. ECBC maintains a forward-looking research plan that reflects and supports:

- emerging local economic issues;
- structural challenges and opportunities;
- sector specific considerations;
- federal policies;
- ECBC's program and development initiatives; and
- the need for ongoing performance management and evaluation.

During 2003/2004, the ECBC policy unit carried out seven research studies.

Tourism Marketing Levy

Tourism marketing is an essential component of a region's tourism strategy. To support the cost of tourism promotion, a number of cities across North America have implemented an accommodation levy. ECBC commissioned the services of a consultant to investigate the implementation of a tourism marketing levy for Cape Breton. The study is available on ECBC's Web site at: www.ecbc.ca.

Accommodation Needs Assessment Study

An accommodation needs assessment was carried out in 1999 that identified specific supply and demand issues relating to the tourism industry. After four years, significant change has occurred in terms of supply conditions with a number of new developments, upgrades and expansions, as well as specific opportunities identified as part of the "Tourism Road Map" for Cape Breton. As a result, ECBC determined that there was a need to revisit the accommodations needs assessment to review and assess current sector needs and opportunities for the future.

Economic Impact Model For Convention and Major Sporting Events

Conventions, sporting events, corporate retreats, and other similar functions have been identified as having potential for contributing to economic growth for the Cape Breton economy. During 2003/2004, ECBC commissioned the services of a consultant to develop an economic model that could be used to determine the potential economic impact of various events.

The State of the Cape Breton Broadband Network and Requirements for its Upgrading and Utilization

The objective of this study is to provide insight into the status of the communication infrastructure and provide direction on the strategic investments required to fully capitalize on opportunities in the new economy through the use of a state-of-the-art broadband network.

Connectivité à large bande

Socio-Economic Impact of the Tele-Service Industry on Cape Breton Island - 2003/2004 Update

In the last three years, a number of customer interaction centres have been established on Cape Breton Island. A number of changes have occurred in the industry since the last economic impact of the tele-service industry was conducted. In light of these changes, during 2003/2004, ECBC commissioned the services of a consultant to re-examine the economic impact of the tele-service industry on Cape Breton Island. The update reported that there were 3,470 full-time equivalent jobs in 2003, slightly above the number reported in 2002. The total annual payroll was $77 million, approximately 60% of which was in the $20,000 to $30,000 per year range.

Immigration as an Economic and Social Development Tool for Cape Breton

As in many regions in Atlantic Canada, population decline and out-migration continue to present concerns for long-term economic prospects in Cape Breton. Population decline has serious implications for the economic future of the region, including lower rates of consumption and productivity, as well as labour force size and skill shortages. In an effort to address these challenges in selected jurisdictions, governments have been focusing on immigration as a means to increase population and labour force growth, alleviate skill shortages and enhance the overall stock of human capital. To this end, ECBC initiated the development of an immigration strategy for Cape Breton in 2003/2004. The study is available on ECBC's Web site at: www.ecbc.ca.

An Evaluation of the Community Adjustment Fund

During 2003/2004, ECBC commissioned an independent evaluation of the CAF to determine if the fund produced the expected results for the affected communities, the taxpayer and the Cape Breton economy. The report determined that the CAF was successful in meeting its objectives. In general, CAF investments had broad approval within the communities.

POLICY AND RESEARCH - RESULTS ACHIEVED

Measure	Target Annual	Performance Against Target				Target 5-Year	% of Target Achieved
		2000-2001	2001-2002	2002-2003	2003-2004		
Research studies that provide a sound basis for the Corporation's policies and programs	8	8	8	9	7	40	80% ■

● Stopped and/or has fallen short of target. △ Not on target/experiencing some slippage. ■ On schedule or exceeds target.

The State of the Cape Breton Broadband Network and Requirements for its Upgrading and Utilization

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POLICY AND RESEARCH - RESULTS ACHIEVED

Measure	Target Annual	Performance Against Target					Target 5-Year	% of Target Achieved	
		2000–2001	2001–2002	2002–2003	2003-2004				
Research studies that provide a sound basis for the Corporation's policies and programs	8	8	8	9	7		40	80%	■

● Stopped and/or has fallen short of target △ Not on target/experiencing some slippage ■ On schedule or exceeds target

STRATEGIC PRIORITY – PROVISION OF SERVICES FOR THE GOVERNMENT OF CANADA

OBJECTIVE

To deliver programs and services for the Government of Canada, including ACOA, to foster economic development on Cape Breton Island and, specifically, to enhance the growth of earned incomes and employment opportunities in the region.

ECBC delivers the following programs on behalf of ACOA.

BUSINESS DEVELOPMENT PROGRAM (BDP): The intention of this program is to help SMEs establish, expand and modernize. It offers capital in the form of interest-free, unsecured loans. These loans are either provisionally repayable or non-repayable. The BDP also provides support to non-profit organizations that provide services to Atlantic Canada businesses.

CONSULTANT ADVISORY SERVICES (CAS): This program provides business clients with expert consulting to help them take advantage of business opportunities and solve problems.

INFRASTRUCTURE CANADA: This program (a six-year partnership agreement signed by the federal and provincial governments) is designed to accelerate economic recovery. Through investing in the local community, short and long-term employment is created while renewing and enhancing the physical infrastructure.

COMMUNITY FUTURES PROGRAM: This program supports independent, not-for-profit Community Business Development Corporations (CBDCs). CBDCs provide rural entrepreneurs with access to the information, advice and capital required to be successful.

ATLANTIC INVESTMENT PARTNERSHIP (AIP): The AIP is a $700-million initiative that makes investments in four major areas: innovation, community economic development, trade and investment, and entrepreneurship and skills development.

ACOA PROGRAMS 2003/2004 (COMMITMENTS)	NUMBER OF PROJECTS	ASSISTANCE
Business Development Program	80	$14,775,468
Consulting Advisory Services	29	$ 157,704
Infrastructure Canada*	16	$15,554,837
Atlantic Investment Partnership		
Strategic Community Investment Fund (SCIF)	44	$16,340,454
Atlantic Innovation Fund (AIF)	2	$ 8,299,107
Entrepreneurship/Skills Development	9	$ 736,345
Trade and Investment	10	$ 694,519

** Reflects assistance from 2001 to March 2004*

THE CAPE BRETON GROWTH FUND CORPORATION (CBGF)

Incorporated in August 2000, the CBGF has its own Board of Directors and reports separately to Parliament through its corporate plan and annual report. ECBC entered into a Memorandum of Understanding with the CBGF to provide administrative and operational support. Staff was assigned by ECBC to support the Board of Directors and operations. Results and annual reports for the CBGF can be found on the Web site at www.cbgf.ca

PROVISION OF SERVICES: ACTIVITIES 2003/2004

CAPE BRETON CASTINGS INC.

L-R: Cecil Clarke, NS Minister of Energy; the Honourable Mark Eyking, MP Sydney-Victoria; Dr. Syed Nagvi, President & CEO of Millennium Precision Machining/Cape Breton Castings.

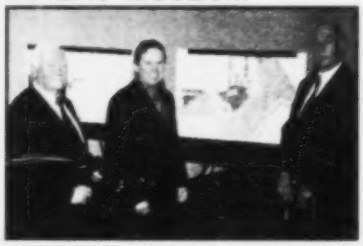
CLEARWATER SEAFOODS

L-R: Peter Cameron, Clearwater Comptroller Clam Operations; Colin George, Clearwater Director of Production Clam Operations; the Honourable Joseph McGuire, Minister of ECBC and ACOA; the Honourable Mark Eyking, MP Sydney-Victoria.

NAUTICAL INSTITUTE

L-R: Rodger Cuzner, MP Bras d'Or-Cape Breton; Rick Beaton, ECBC COO.

MINERS' MUSEUM



L-R: Gus MacMullin, Redevelopment Chair, Cape Breton Miners' Museum; Rodger Cuzner, MP Bras d'Or-Cape Breton; Rick Beaton, ECBC COO.

TRADE AND CONVENTION CENTRE

Overseeing the early stages of the Port Hawkesbury Trade and Convention Centre's construction are: L-R: Rick Beaton, ECBC COO; Rodger Cuzner, MP, Bras d'Or-Cape Breton; the Honourable Joseph McGuire, Minister of ECBC and ACOA; Tom Fiander, Construction Manager; Ralph Meechan, Office of Minister McGuire; Chris MacInnes, Office of Minister McGuire. The centre pictures depict an artist's rendition of the Centre upon completion. Finally, the Centre at current stage of construction (May 2004).

OPERATIONS

In 2003/2004, ECBC continued its work with four operations: the Point Edward Resource Centre, the Port Hawkesbury Business Facility, Silicon Art and Innovation Centre and MacDonald House. The latter two were purchased in March 2003 from the Cape Breton Regional Municipality. During 2003/2004, a portion of the Point Edward facility was listed for sale. Also during 2003/2004, ECBC reactivated DARR (Cape Breton) Limited, a subsidiary real estate and holding company. ECBC entered into a Memorandum of Understanding (MOU) with DEVCO in 2002/2003 "to enable the development of a decision-making and management framework for the identification, environmental assessment and remediation, and the potential transfer of properties with economic development potential from DEVCO to ECBC in a timely and efficient manner." Through the MOU, ECBC acquired a parcel of land in the New Waterford area that was leased to a community development association as part of a strategy for attracting a foreign investor. The Corporation is also able to use its real estate holdings as a catalyst for economic development activities. In 2003/2004, Corporate-owned property was made available to a local investor who is constructing a four-star country inn. In addition to the investment and resulting job creation, the increased assessed value of the property contributes to the municipal tax base.

HUMAN RESOURCES

"ECBC has a skilled and professional staff possessing many years of business and community development experience. As Cape Bretoners, they are dedicated to the development of the Island and have a vested interest in the ultimate success of our mission."

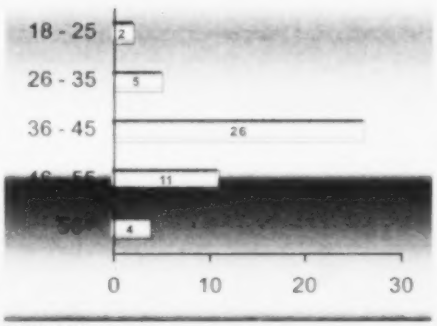
Rick Beaton, Cape Breton Post , Progress Edition, April 2004

ECBC operates from its main office in Sydney, Nova Scotia, with a satellite office in Port Hawkesbury. Internally, ECBC is organized into a number of administrative units that report to the Vice-President, who is also the Chief Operating Officer (COO). The operational units include: commercial programs, development, internal audit, corporate services, legal, advocacy, operations and communications.

AVERAGE AGE	
All Staff	43
Senior Management	48

YEARS OF SERVICE	
Less than 10 years	33
10 - 29 years	14
30 year +	1
TOTAL STAFF COMPLEMENT	48

EMPLOYEE DEMOGRAPHICS BY AGE GROUP (MARCH 31, 2004)



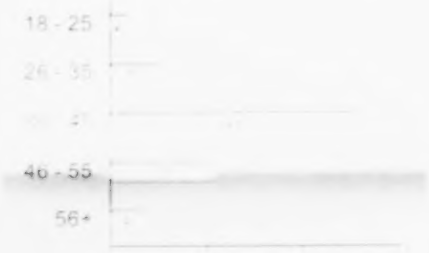
ECBC 2004

The ECBC staff currently consists of 48 individuals. The organization is relatively young, with an average staff age of 43.4 years. The relative youth of the organization is also evident in the management team, with an average age of 48 years. A full 69% of staff are 45 years of age or younger, and more than half of the Corporation's employees (54%), fall within the 36-45 year-old range.

OPERATIONS

HUMAN RESOURCES

EMPLOYEE DEMOGRAPHICS
BY AGE GROUP (MARCH 31 2004)



AVERAGE AGE

YEARS OF SERVICE

TOTAL STAFF COMPLEMENT

The past year has seen a number of changes in ECBC's staff. Through attrition, extended leave and interchange assignments, the Corporation's total staff complement has been reduced by 18.6%, from 59 to 48. A number of staff has moved on to opportunities with other employers, benefiting from the experience they have gained while at ECBC. Indirectly though, 2003/2004 has also been a year of growth for the ECBC family as four staff members welcomed new additions and have taken parental leave to spend time with their families.

ECBC employees have diverse educational backgrounds and many have significant private sector experience. Almost 17% of the staff hold professional designations and 12.5% hold master degrees. Over 6% of the staff have French as their first language and 13.5% are bilingual in English and French.

The Corporation offers an attractive pay and benefits package. A compensation structure has been adopted that ensures market comparability with a number of private and public sector organizations. The Corporation's job classification system was reviewed in 2002/2003 to ensure that salary levels reflect duties and responsibilities. It is updated regularly through the annual performance planning and evaluation process. In accordance with the Corporation's commitment to life-long learning, employees are also asked to prepare an individualized training plan on a yearly basis.

A number of HR policies were reviewed in 2003/2004. The sick leave credit system was updated to bring it closer in line to that of the public service. An "instant" staff recognition program that acknowledges outstanding contributions was also approved, as was an event that recognizes staff who consistently out-perform the expectations of their position in a given year. In an effort to recognize longstanding service to the Corporation, the Board adopted a service award policy.

Employees are key to the success of the organization. Their input into program and policy development is sought regularly. The Corporation's social committee organizes a number of social events throughout the year and ensures that important staff milestones are appropriately recognized. The Corporation offers an employee assistance program and takes steps to accommodate a flexible work schedule, where possible. Through the co-operation of other Government of Canada entities in the area, employees have preferential access to top quality fitness facilities at the Canadian Coast Guard College.

Four staff members were enrolled in post-secondary diplomas or degrees in 2003/2004 and one completed her program of study. In addition, two staff members completed full-time French language training and one completed a five week refresher course. Over the last year, ECBC has expended approximately $43,652 for staff education and training.

ECBC's human resource development initiatives address both the current and long-term needs of the organization. The Board of Directors recently adopted a management succession plan. Through a combination of recruitment, work place training, and special assignments it provides for an orderly transition of key responsibilities within the organization should current staff move on or retire.

MAKING A DIFFERENCE

By supporting various charities each year, ECBC makes a positive contribution to the local community. Generous with their time and money, ECBC employees are happy to help others. The Corporation wholeheartedly supports volunteerism and all those who take part in such activities.

Daffodil Day for Cancer Research

ECBC employees take the time to stop and smell the flowers. This year they raised over $200 for cancer research by taking part in the Daffodil Day for Cancer Research Campaign.

Big Brothers Big Sisters

Each year employees participate in the Bowl for Kids' Sake Campaign. With strikes, spares and gutter balls, ECBC raised over $700 for Big Brothers/Big Sisters.

Cape Breton Miners' Museum

Cape Breton's coal mining legacy is legendary throughout the world. Since many of the staff have close personal ties to the coal mining industry, they came together and raised $1,000 in one day for the Cape Breton Miners' Museum.

United Way Campaign

Every year the Corporation raises money for the United Way, and this year was no exception. This year the Corporation raised over $3,500 and achieved the Gold Employee Group Contribution level.

Run for the Cure

A 10-person team represented ECBC at this year's Run for the Cure campaign. Their second year participating, they crossed the finish line and raised $800.

Every Woman's Centre Society

Every Friday, ECBC employees put on their jeans to lend their support to needy families in Cape Breton. This year, ECBC raised over $500 through their weekly contributions.

EMPLOYEE PROFILE

ECBC proudly supports its employee volunteers, and commends those who make an outstanding impact on their community.

has been a communications officer with the Corporation for 17 years. She has turned the challenges of being a person with a disability into rewarding experiences through her advocacy work in disability and women's issues, making a significant contribution to the community.

Marcie has held executive positions with various local, provincial and national organizations pertaining to women's rights and the rights of persons with disabilities.

She has been recognized for her work by being named Woman of the Year by the Business and Professional Women's Club of Sydney, by Marine Atlantic for her contribution to its Accessibility Advisory Committee, and by the Persons with Disabilities Partnership Association for Industrial Cape Breton and Victoria County.

"I enjoy every minute, meeting people from all walks of life and honing new skills in the process," says Marcie. "There is no greater reward than knowing you have contributed to your community through your volunteer efforts."

"Marcie's dedication, perseverence and kindness are all true and remarkable qualities. Her smile always adds to everything we do at ECBC. For 17 years Marcie has been a model employee."

Rick Beaton

CORPORATE SOCIAL RESPONSIBILITY

YOUTH & EDUCATION: OUR FUTURE

The Corporation believes that the security and prosperity of tomorrow depend on the youth of today.

Once again the Corporation provided scholarships to graduating students in 2003/2004. Last year, four students from each county in Cape Breton graduated from high school with a $4,000 scholarship from ECBC to help them with their post-secondary education. The Corporation also made a non-repayable contribution of $263,775 to the University College of Cape Breton (UCCB) to help establish a Student Employment and Entrepreneurial Centre. The centre will provide students of all ages with a broad range of entrepreneurial skills, with specific programs for Aboriginal youth.

The warm weather brought summer students to ECBC again in 2003/2004. Seven students were hired with backgrounds in business, science and arts. The Corporation also provided an opportunity for Bachelor of Public Relations students to gain workplace experience through Mount Saint Vincent University's Co-op Program.

HUMAN RIGHTS

Each employee at ECBC has the right to come to work each day, free from the worry of intimidation, hostility or offensiveness. The Corporation creates and keeps a workplace climate that is without harassment and discrimination on prohibited grounds such as age, race, color, religion, creed, sex, nationality, ethnic or place of origin, citizenship, language, political belief, marital or family status, sexual orientation and disability. ECBC regularly reviews its human resource policies to maintain its high quality workplace atmosphere.

ECBC has an official harassment policy pertaining to the workplace. Non-management employees with harassment training are available to deal with employee complaints.

PROTECTING THE ENVIRONMENT

Rated the No. 2 tourist destination in the world by the National Geographic Traveler Magazine, Cape Breton's natural beauty beckons tourists from around the globe. While executing its economic development mandate, ECBC is aware of the importance of sustainable economic development that does not negatively impact the environment.

When evaluating potential projects, ECBC considers environmental risks. Although not yet required to adhere to the *Canadian Environmental Assessment Act*, ECBC nonetheless, follows the process established by the Act. All projects are assessed for environmental impact through Public Works and Government Services Canada. Where necessary, mitigation measures are put in place and become part of the contract between ECBC and the client.

Internally, the Corporation promotes environmentally friendly practices. There is a recycling program in place and technology that reduces paper waste.

ETHICS AND VALUES

Employees and representatives of ECBC should have the Corporation's best interest in mind at all times. A conflict of interest arises when an employee must choose between ECBC's best interests and his/her own.

The Code of Conduct at ECBC states that employees and representatives must conform to the highest standards of conduct with regard to conflict of interest. These standards can be followed through avoidance, disclosure, discontinuance or divestment. Employees sign a confidential report annually to prevent conflicts of interest. Employees also have to respect the privacy rights of corporate clients, including their right to security of information. ECBC has confidential corporate information, but uses it for specified corporate purposes only.

COMMUNICATION & GOVERNMENT ON-LINE

OFFICIAL LANGUAGES

ECBC complies with the *Official Languages Act* (OLA) in all facets of its operations. The Corporation has close working relationships with its minority language communities on Cape Breton Island. A designated development officer works closely with Francophone community groups and businesses.

The Corporation's focus this year was working with Francophone communities to make preparations for a very important cultural event, the Acadian World Congress. Acadians will come to Nova Scotia from all over the world in 2004 to enjoy family reunions, Acadian arts and culture and to celebrate 400 years of l'Acadie.

As a Crown corporation, it is not mandatory for ECBC to participate in the co-ordination activities of the Department of Canadian Heritage in accordance with section 42 of the OLA. However, given the Corporation's economic mandate and its importance to the minority language communities, the Corporation collaborates with Canadian Heritage on the implementation of section 41. ECBC also takes part in a province-wide committee for the promotion of official languages, organized through the Nova Scotia Federal Council. ECBC has appointed an official languages champion, who liaises with the Treasury Board and other Crown corporations for the promotion of official languages, both within the Corporation and within its mandate area.

COMMUNICATION

ECBC is a very high profile entity on Cape Breton Island. Mentioned almost daily in the media, ECBC is a delivery agent for various Government of Canada programs in support of economic development. The Corporation is involved in almost every facet of the local economy, and provides a wide array of programs and activities in support of communities and businesses. Officials at ECBC are often asked to comment on and analyze current economic conditions, due to the Corporation's advocacy role and policy and research activities.

The Corporation works together with the CBGF to promote Cape Breton as an excellent business location. New investment promotion materials have been developed and local business people recruited to provide testimonials as to the success of their Cape Breton operations. In conjunction with the CBGF, ECBC developed the Power of Cape Breton ad campaign, which consisted of advertisements and collateral materials to promote Cape Breton to potential businesses. ECBC works closely with the communications unit at ACOA and has been called upon to assist in and promote a number of initiatives supporting trade and women in business.

In the past year, the Corporation issued 61 news releases, on topics from investing in small and large businesses, to projects designed to promote the tourism industry on the Island. ECBC representatives organized and attended 22 special events on the Island and Mulgrave. The Corporation ran ads in newspapers and magazines, as well as participated in radio talk shows and television commentaries in 2003/2004. In addition the Corporation delivered numerous speeches and presentations on the Island, as well as other regions.

ECBC's 2002/2003 Annual Report was recognized as one of the finalists for the Auditor General of Canada Award for Excellence in Annual Reporting, in the smaller Crown corporations category. In February of 2004, MP Rodger Cuzner acknowledged in the House of Commons, ECBC's placement in the award process.
"This award recognizes the best reporting practices in Crown corporations' annual reports," said Ms. Sheila Fraser, Auditor General of Canada.

The award was launched in 1994 to recognize and reward exemplary achievement in annual reporting among Crown corporations, as well as to promote better performance reporting within this community. The reports were judged against a range of criteria including content, quality of information and presentation.

GOVERNMENT ON-LINE

In an increasingly digital world, the Government of Canada is striving to bring information and services to Canadians in an electronic format. Government On-Line (GOL) is an ambitious government-wide initiative to use information and communications technology to provide Canadians with enhanced access to improved citizen-centred, integrated services, anytime, anywhere and in the official language of their choice by the end of 2005.

ECBC is supportive of the GOL guiding principles and has established a GOL working group that is addressing the challenges associated with ECBC's compliance. The Corporation is collaborating with the Industry Canada Regional Development Agency GOL Committee (RDA/GOL) to develop a standard approach for Government of Canada organizations involved in regional development.

The ECBC GOL working group participated with the RDA/GOL group on a number of initiatives including analyzing and documenting the common service delivery mode, common progress reporting formats and methods for acquiring baseline and progress counts of clients and services, as well as the evaluation of pilot on-line multi-media applications called E-tools. ECBC also participated with ACOA in performing a client survey to determine client use of existing Web sites and future on-line service requirements.

ECBC has conducted an external vulnerability security assessment of its local area network to ensure that existing information sharing and future interactive client services provided on the corporate Web site do not compromise the security of ECBC systems and data.

In the GOL applications that ECBC would provide, security of information and privacy are major concerns. In 2003/2004, work continued on the development of a secure channel whereby clients would be able to access a secure portal that could be used to submit payment claims on-line. The system will be tested in 2004. Eventually, use of the portal will be expanded to include on-line applications, monitoring the status of applications and secure communications (e-mail correspondence and attachments, etc.). Future opportunities include adding potential clients to the system, tracking their needs, advising them of business related seminars, trade opportunities, etc. These proactive activities go beyond the scope of program delivery and assist in achieving the Corporation's overall mandate. For the most part, ECBC's systems mirror those of ACOA and the plan is to implement the ACOA model once successful testing has been completed. ECBC and ACOA have entered into a Memorandum of Understanding with regard to providing information system support to the Corporation. This integrated approach will result in a more efficient use of resources, particularly in the implementation of the GOL initiative.

Through its involvement with the RDA group and its close working relationship with ACOA, the Corporation has been able to absorb GOL-related costs in its normal operational and capital budgets.

CORPORATE GOVERNANCE

Corporate Governance has been an ongoing priority for the ECBC Board of Directors for the last four years. In 2001, working in conjunction with the Conference Board of Canada, the Corporation conducted an assessment of its compliance with Guidelines for Corporate Governance in Crown Corporations produced by the Department of Finance and the Treasury Board of Canada. For benchmarking purposes, the Corporation's rating was compared with an aggregate rating of several other Crown corporations (peer benchmark).

In 2002, the Board contracted the services of the Conference Board of Canada to perform a follow-up survey to its 2001 benchmarking exercise to evaluate ECBC's progress in the area of corporate governance. The Board intends to conduct periodic follow-up assessments from time to time.

The results of the corporate governance assessments are found below.

BOARD GOVERNANCE CAPABILITY AREA	ECBC's 2002 rating*	ECBC's 2000 rating	PEER Benchmark
ECBC's Board exhibits the most strength of these five capabilities:			
☐ ability to conduct business ethically and professionally	4.50/5	4.11/5	4.26
☐ ability to articulate right roles and responsibilities	4.33/5	3.36/5	3.87
☐ ability of board to function effectively and make decisions wisely	4.27/5	3.82/5	4.04
☐ ability to collect information with integrity	4.15/5	3.77/5	4.02
☐ ability to effectively report: transparency, clarity and accountability	4.05/5	3.20/5	3.91
ECBC's Board rates moderately well in these five capabilities:			
☐ ability to establish a clear sense of purpose and direction	3.93/5	3.23/5	3.88
☐ ability to oversee management and control of resources	3.92/5	3.16/5	3.96
☐ ability to excel in human resource development	3.92/5	2.89/5	3.29
☐ ability to promote innovation	3.92/5	3.48/5	3.61
☐ ability to effectively measure performance	3.85/5	3.52/5	3.62
ECBC's Board would benefit from improvements in these two capabilities:			
☐ ability to accomplish strategic objectives and mission	3.75/5	3.27/5	3.82
☐ ability to ensure best mix of Board members	3.65/5	2.63/5	3.47
ECBC's overall Board rating	80.4%**	67.4%	76.3%

* On a scale of 0 (not at all) to 5 (outstanding), this is the average of all responses from Board/Senior Management members.
** The 12 capability ratings aggregated and reported on a percentage scale

ECBC's overall Board rating went from 67.4% in 2000 to 80.4% in 2002, ranking the Corporation among some of the highest Crown corporations in the country.

Not resting on its laurels, the Corporation continues to address corporate governance issues.

The Board met six times during 2003/2004 and welcomed four new members. The appointment of a new Chairperson took effect on May 31, 2003. In addition, three new directors were appointed, a chartered accountant, a lawyer and a local entrepreneur and community activist. These Order-in-Council appointments were in accordance with the skills profile developed by the Board to identify the best mix of skills and backgrounds that would be helpful to ECBC in the pursuit of its mandate. The skills profile previously had been submitted to the Minister of State responsible for ECBC, as well as senior officials with the Privy Council Office.

In an effort to orient new Board members, they were provided with written and oral briefings on the roles and responsibilities of Board members, as well as the mandate and operations of ECBC. Directors reviewed the Corporation's by-laws, code of conduct (which outlines conflict of interest requirements), as well as the applicable portions of the Conflict of Interest and Post-Employment Code for Public Office Holders. Directors also attended a corporate governance training session.

Specific policy issues addressed by the Board of Directors in 2003/2004 include the adoption of a new Information Management Framework that updated existing policies on records management, as well as information systems and incorporated additional sections on privacy in accordance with the *Personal Information Protection and Electronic Documents Act* (PIPEDA).

In the area of human resource management, the Board modified the sick leave credit system to bring it closer in line with the policy followed by the public service. The Board also reviewed the annual leave policy especially as it pertains to the accumulation and carry over of annual leave credits. An 'instant' staff recognition program that acknowledges outstanding contributions was also approved, as was a framework that recognizes staff who have consistently out-performed the expectations of their positions in a given year with a salary bonus. In an effort to recognize longstanding service to the Corporation, the Board adopted a service award policy.

Recognizing the importance of the tourism sector to the economy of the Island, the Board revised its programming in support of tourism development and, in particular, funding eligibility for the accommodation sector.

In an ongoing effort to increase the Board's ability to "effectively measure performance," the Board took steps to strengthen the accountability structure against which to measure, both qualitatively and quantitatively, the performance of both the Chair and COO.

The Chairperson once again provided the Board with a list of key activities and objectives based on his roles and responsibilities, as defined by the Responsibility Mandate adopted as part of the corporate governance framework, and ECBC's corporate plan.

The Chairperson then incorporated the approved framework in his performance letter with the Clerk of the Privy Council. This accountability structure was subsequently adopted by the new Chair when she assumed her position later in the year.

BOARD REMUNERATION

Directors are paid a retainer and per diems for the performance of duties as set by Privy Council.

MEMBERS	BOARD	AUDIT COMMITTEE	RETAINER	PER DIEM

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BOARD REMUNERATION

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MEMBERS	BOARD	AUDIT COMMITTEE	RETAINER	PER DIEM
Monique Collette (Appointed May 31, 2003)	5		NA	NA
Rick Beaton	6		NA	NA
Ferne MacLennan	6	2	$2,500.00	$2,500.00
Betty Ann Aucoin	5	2	$2,500.00	$1,500.00
Gary Corsano (Appointed Sept. 15, 2003)	2		$1,359.59	$1,250.00
Sonny MacDougall (Appointed July 24, 2003)	4	2	$1,722.60	$2,250.00
Robert McFadgen (Appointed July 24, 2003)	4	2	$1,722.60	$2,250.00
Dennis Wallace (Retired May 30, 2003)	1		N/A	N/A
Curtis Kamel (Resigned July 7, 2003)	2	1	$671.23	$1,000.00
Greg MacKenzie (Term expired July 23, 2003)	2	1	$787.67	$1,000.00

Per diem includes Corporate Governance training and orientation sessions

The ECBC Board of Directors has one committee, the Audit Committee. It is chaired by Mr. Sonny MacDougall, CA, and includes Robert McFadgen, Ferne MacLennan and Betty Ann AuCoin. The Committee is assisted by the Internal Auditor and Director General, Corporate Services. The Office of the Auditor General of Canada also participates in many of the Committee's meetings.

The Audit Committee met three times during the fiscal year 2003/2004. The Committee is responsible for reviewing the annual financial statements of the corporation, recommending approval of loan impairments, forgiveness and write-offs.

An area of focus this year was the upcoming five-year Special Examination. This is a legislative requirement and a key component of the accountability framework for Crown corporations.

It is a comprehensive audit that considers issues of asset management, efficiency, economy and effectiveness. The Office of the Auditor General presented its plan for the Special Examination in May 2004. The period under review is November 20, 2003 to June 30, 2004, overlapping the current fiscal year end.

During 2003/2004, the Audit Committee focused on reporting to the shareholder (e.g. corporate plan, budgets, budget updates and annual report); regulatory or legal requirements (e.g. the *Official Languages Act* and Canada Labour Code); reviewing any management letters from the Office of the Auditor General; quarterly financial statement and budget updates. It oversaw the work of the Internal Audit Unit, reviewed expenditure reports, as well as the status of the loan portfolio, internal controls and commented on the annual audit report received from the Office of the Auditor General.

SELF ASSESSMENT

The following pages contain a self-assessment of ECBC's corporate governance practices against the Guidelines for Corporate Governance in Crown Corporations produced by the Department of Finance and the Treasury Board of Canada. The Guidelines are just that, guidelines, and are not intended to be blindly followed, but to be tailored to meet the specific context and corporate governance needs of each Crown corporation. Management's comments, analysis and rationale behind the assessment of each of the guidelines are also described.

BOARD RESPONSIBILITIES	COMMENTS	STATUS ☐
1. The Board of Directors of every Crown corporation should explicitly assume responsibility for the stewardship of the Corporation		
a. Approve the strategic direction and Corporate Plan	•	The Board remained committed to overseeing the strategic direction of the Corporation and was involved in the following: A series of one-on-one consultations were held between Management and Board members further to the development of the Corporate Plan. Fall 2003 - A presentation of the proposed strategic direction of the Corporate Plan was made to the Board of Directors. January 2004 - The Board met to approve the priorities and overall direction contained in the Corporate Plan and budgets.

● Not fully compliant: no action initiated or planned
△ Not fully compliant: action initiated
■ Compliant with guidelines

BOARD RESPONSIBILITIES	COMMENTS	STATUS ☐
b. Identify principal risks and ensure adequate management systems have been implemented.	• A system of risk at the project level has been in place for a number of years. • The Board has taken responsibility for managing risk at a corporate level primarily by approving policies that provide guidelines to Management as to the type of projects and assistance levels that can be approved without having to seek the Board's specific approval. • Management provides regular reports to the Board on the status of the loan/equity portfolio including an update on the delinquency/default rate, as well as progress against performance targets. • In 2003/2004 the Board approved seven policies dealing with administrative and program matters. • The Corporation has in place a Code of Conduct for employees and directors. • Mechanisms are in place for the Corporation to take security on loans. • Risk analysis on the loan/equity portfolio along with an impairment assessment, are carried out on an annual basis. • The Internal Audit Unit oversees internal control.	
c. Approve Management's succession plan	• The Board endorsed a succession plan in 2001/2002 and several staff have undertaken new assignments in an effort to become acquainted with the duties associated with these management positions. • Management provided the Board with information on the training needs identified by staff.	
d. Ensure that the information systems and management practices have integrity and meet the needs of the Board.	• Through the 2002/2003 benchmarking exercise, the Board rated ECBC's ability to collect information with integrity as 4.15 out of 5 an improvement from the 2000/2001 rating of 3.77. • Management continues to solicit informal feedback from the Board on the quantity and quality of information provided.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

BOARD RESPONSIBILITIES	COMMENTS	STATUS ☐
	• The Board approved the work plan of the Audit Committee. It outlines the various areas that will be reviewed during the year, including the system of internal controls. • The Board approved an Information Management Framework which, among other things, established a Privacy Policy designed to effectively and efficiently manage the information resource. In the preparation of the policy, the Corporation considered relevant Treasury Board directives, ACOA policies where appropriate, and consulted with the National Archives of Canada.	

PUBLIC POLICY OBJECTIVES	COMMENTS	STATUS ☐
2. The Board of Directors of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance.		
a. Document the current public policy.	• The Board reviewed the mandate and mission statement of ECBC as part of the corporate planning process. • Through stakeholder meetings held by Management, the Board was informed of community input as to the relevance of ECBC's objectives and priorities.	
b. Appreciate the contemporary trade-offs between competing public policy and commercial objectives of the Corporation.	• ECBC is dependent upon its Parliamentary Appropriation as its primary source of funds. • ECBC has a clear public policy objective, i.e. economic development. • Commercial initiatives are generally operated on a cost-neutral basis in support of the mandate.	
c. Assess the relevance of the Crown corporation's mandate and, if appropriate, propose changes for the consideration of the appropriate Minister.	• As part of the corporate planning process, the relevance of the mandate, mission and priorities are reviewed. • It is ECBC's view that it is the role and decision of the shareholder to perform or request a formal, in-depth review of the legislative mandate.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

COMMUNICATIONS	COMMENTS	STATUS ☐
3. The Board of Directors of every Crown corporation should ensure that the Corporation communicates effectively with the Crown, other stakeholders and the public.		
a. Communication responsibilities (shareholder and stakeholder).	• The Board participated in community/stakeholder consultations as part of the corporate planning process and in its ongoing operations. • The Chair and COO have the primary responsibility for communication with the shareholder on behalf of the Board. • The COO has the primary responsibility for communication with stakeholders. • The Corporation oversaw a communication strategy that involved numerous activities targeting the general public.	
b. Reporting responsibilities.	• ECBC's performance measurement framework continues to be refined. • The primary vehicles for reporting are the Annual Report and the Corporate Plan. • Through the 2002/2003 benchmarking exercise, the Board rated ECBC's ability to effectively report on the basis of transparency, clarity and accountability. 4.05 out of 5. This was a significant improvement over the 2000/2001 rating of 3.20 and better than the Crown corporation average of 3.91. • The Board continues to focus on assisting Management to improve the Annual Report. • The 2002/2003 Annual Report was recognized by the Office of the Auditor General for Excellence in Annual Reporting.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

BOARD MANAGEMENT RELATIONS	COMMENTS	STATUS ☐
4. Boards of Directors and Management should develop an effective working relationship.		
a. Allocating responsibilities.	• The Board believes that it has an effective ability to articulate roles and responsibilities (4.33 out of 5). This rating was improved over the 2000/2001 rating of 3.36 and significantly higher than the average for Crown corporations of 3.87. • The Conference Board of Canada assisted ECBC in developing responsibility mandates for the Board, Chair, COO, Audit Committee and Management. These mandates form the cornerstone of ECBC's governance structure. • The mandates clearly assign responsibility for consulting, developing, verifying, reviewing, recommending and approval of various matters.	
b. Building a relationship. c. Establishing accountability.	• In 2002/2003, the Board gave its ability to function effectively with Management a 4.27 out of 5. This was higher than the 2000/2001 rating of 3.82 and slightly higher than the Crown corporation average of 4.04. • The Board has implemented accountability accords and performance measurement systems with the Chair and COO, which are reviewed annually. • The Board has delegated project approval authority to Management for projects under $1 million that are within the normal bounds of risk and policy.	

BOARD INDEPENDENCE	COMMENTS	STATUS ☐
5. The Board of Directors should ensure that the Board can function independently.		
a. The roles of the Chair (guidelines suggest that the roles of the Chair and CEO should be separate).	• Pursuant to the ECBC Act, the Chair is the CEO and it is a part-time position. This is a clear reflection of the intention of the stakeholder.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

BOARD INDEPENDENCE	COMMENTS	STATUS ☐
	• ECBC complies with the spirit of the guideline as the COO performs the duties and responsibilities typical of CEOs in other Crown corporations in addition to having day-to-day operational control.	
b. Meeting as Board.	• The Board meets in-camera as required.	
c. Public Servants as Directors.	• Five of the seven Directors are not public servants. • The COO is a Governor-in-Council appointee. • Under the ECBC Act, the Chair is the President of ACOA, thus a public servant.	
d. The use of committees.	• The Board has only one committee, the Audit Committee. • Four of the four voting members of the Audit Committee, including the Chair of the committee, are outside Directors. • Given the small size of the Board, seven voting members, it has chosen not to create additional committees. • The Audit Committee members have the opportunity at each meeting to meet with either the Office of the Auditor General staff or ECBC's Director of Internal Audit without Management of the Corporation present.	
e. Independent advice.	• The Board has adopted through its by-laws, a procedure whereby Directors may avail themselves of independent advice.	
f. Conflicts of Interest.	• The Board, through its by-laws, has adopted a code of conduct which outlines the procedure for declaring conflicts of interest in compliance with the *Financial Administration Act* and the applicable portions of the Conflict of Interest and Post-employment Code for Public Office Holders.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

THE POSITION OF THE CEO	COMMENTS	STATUS ☐
6. In recognition of the importance of the position of the CEO, the Board of Directors of every Crown corporation should periodically assess the CEOs position and evaluate the CEOs performance.	Under ECBC's governance model and in accordance with the ECBC Act, the CEO is a part-time position held by the President of ACOA. The COO has a managerial responsibility to the Board for the operations of ECBC. An evaluation of the CEO's performance was conducted in May 2003.	
a. Assessing the CEOs position (the Guidelines suggest that the Minister should consult with the Board on the appointment of the CEO).	• The President of ACOA serves as the ex-officio Chair and CEO of ECBC, in accordance with the ECBC Act. • The Board has no involvement in the appointment of the Chair and CEO in light of this model. • The COO acts as the CEO under ECBC's governance model.	
b. Evaluating performance.	• The Board and Chair developed an annual accountability accord. This performance measurement framework for the Chair has been incorporated into the Chair's framework with the Clerk of the Privy Council Office. Thus, the Board's views on the Chair's performance are required before the Office of the Clerk can finalize his assessment of the Chair's performance. • The Board has an annual accountability accord in place with the COO, the results of which are communicated to the Chair, Minister and the Clerk of the Privy Council. • The Board's views on the performance of the COO and Chair are communicated to the Minister and the Privy Council Office.	

RENEWAL OF THE BOARD	COMMENTS	STATUS ☐
7. The Board of Directors of every Crown corporation should assess its effectiveness and indicate renewal of the Board.		
a. Assessing the Board.	• In 2000/2001 the Board participated in a benchmarking exercise of its corporate governance practices with the Conference Board of Canada.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

RENEWAL OF THE BOARD	COMMENTS	STATUS ☐
	• As planned, the Board worked with the Conference Board of Canada to once again benchmark its governance practices during 2002/2003. • The results showed dramatic improvement with an overall rating of 80.4% compared with the 2000/2001 rating of 67.4% and the Crown corporation average of 76.3%. • They will use the results of the exercise to strategically concentrate on particular areas over the coming year. • The greatest challenge for 2003/2004 has been the orientation and education of three new Directors, as well as a new Chair and CEO. • Accordingly, the governance focus is likely to be on continuing the current practices with an emphasis on training for the new Board members.	
b. Renewal of the Board.	• The Board's views on appointments are communicated to the Minister. • The Board has adopted a skills profile, which has been sent to the Privy Council Office and the Minister. • Management engages the Board as soon as practicable to ascertain the Board's views on potential candidates, which skills they think are critical for new candidates to have, as well as their views on the renewal of existing members.	

EDUCATION OF DIRECTORS	COMMENTS	STATUS ☐
8. Directors of Crown corporations should receive orientation and education appropriate to their needs.		
a. New Directors.	• ECBC has developed an orientation package and program for new Directors. • An orientation session was held for new Board members where they were briefed by Management and had an opportunity to consult with outgoing Directors.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

EDUCATION OF DIRECTORS	COMMENTS	STATUS ■
b. Ongoing education.	• The Board adopted a policy on training that entitles members to at least one corporate governance conference or seminar a year. • Each year at least one member of the Board has attended some form of training session on either economic or governance issues. • In 2003/2004, five Board members attended a two-day training session on Corporate Governance.	

COMPENSATION	COMMENTS	STATUS ■
9. The Board of Directors should review the adequacy and form of compensation for Directors.	When requested, the Board reviews compensation and provides its views to the Minister and Privy Council Office.	

RESPONSIBILITY FOR CORPORATE GOVERNANCE	COMMENTS	STATUS ■
10. The Board of Directors should assume responsibility for developing the Crown corporation's approach to governance issues.	The Board developed a governance framework for ECBC with the assistance of the Conference Board of Canada. The Board has met with various stakeholders to review its approach to corporate governance. The Board participated in a benchmarking exercise to review and compare its corporate governance practices with those of other Crown corporations. Corporate governance is a regular topic of discussion at Board meetings.	

● Not fully compliant, no action initiated or planned
△ Not fully compliant, action initiated
■ Compliant with guidelines

RISK MANAGEMENT

ECBC is susceptible to a number of risks as part of the many activities it undertakes to fulfill its mandate.

The Corporation has been managing risk at various levels for many years, and in the coming year, it will undertake to develop a risk management framework that incorporates the risk management practices currently in place, as well as identifying additional management strategies.

EXTERNAL RISKS

Any risks to the Cape Breton economy and its development present risks to the Corporation's mandate. These include risks to individual clients, and to the overall economy. Fluctuations in the currency exchange rate present risks to companies that export or import their products internationally. A sharp appreciation of the Canadian dollar can adversely affect a business that exports because the relative price paid by the international customers increases. A depreciation can adversely affect those who import products internationally as the relative prices of the imports go up.

Out-migration from the Island can present a number of risks to the area as new and growing businesses would have a smaller labour pool from which to draw, making specific skill sets hard to find. Out-migration impacts the younger age groups, due to a limited amount of opportunity, particularly those with higher levels of post-secondary education.

Being a smaller region removed from larger markets also presents a number of risks. If economies in Canada and/or the United States enter into a recession, access to the larger central markets by local producers would be jeopardized. Smaller businesses on the Island that require sales to these larger markets may not be sustainable throughout a recession period, especially if they are unable to re-establish sales once the larger markets move out of recession.

The Island's relative distance from large markets presents other risks as changes in transportation costs can impact producers, reducing the competitiveness of Island producers. This can also affect the tourism sector as increased travel expenses could reduce the level of tourist traffic in the area.

INTERNAL RISKS

A system of risk assessment at the project level has been in place for a number of years.

First and foremost, project proposals must be in keeping with the Corporation's mandate and the priorities outlined in the Corporate Plan. All projects are subject to environmental review pursuant to the *Canadian Environmental Assessment Act* and any mitigation measures identified as a result of this review become part of the terms and conditions of ECBC's contract.

The Corporation has in place a framework that assesses the level of risk associated with investment in a given project. Based on the level of risk assigned, a recommendation is made as to the extent of monitoring required for a given project. The project monitoring function enables the Corporation to assess the overall financial and economic progress of a project. Increased awareness of the project status enables the Corporation to introduce whatever means or interventions might be necessary to mitigate risk to the Corporation's investment and to ensure that the project achieves its greatest success.

Mechanisms are also in place to ensure that Corporate loans are sufficiently secured, where appropriate, to minimize risk and potential losses. At the project evaluation stage, in consultation with legal counsel, security documentation can be requested in relation to the amount of assistance being offered and the degree of risk involved in each project. The Corporation reserves the right to take the security it feels appropriate. Forms of security taken by the Corporation may include chattel mortgages, debentures, licence agreements, etc.

Risk analysis of the loan/equity portfolio, along with an impairment assessment is carried out on an annual basis by the Corporation. Based upon this assessment, the Audit Committee recommends to the Board, an allowance for impairments and write-offs at the end of each fiscal year. In addition, ECBC Management provides regular reports to the Board on the status of the loan/equity portfolio including the delinquency/default rate.

The Board is also updated on the Corporation's progress against performance targets as outlined in the Corporation's Performance Management Framework. The framework was put in place in 2000/2001. The primary objective of the framework is to ensure that there is a consistent basis for presenting results-oriented information on the Corporation's activities from year to year.

The Office of the Auditor General performs an attest audit on the Corporation's annual financial statements and in so doing reviews the business risks and related business implications. Each business risk determined by the Office of the Auditor General is addressed in the annual report to Audit Committee in June of each year.

In addition to the annual audit, a special examination is also conducted by the Office of the Auditor General every five years pursuant to Section 138 of the FAA.

The ECBC Board of Directors has also taken responsibility for managing risk at a corporate level by approving policies that provide management with clear direction on the nature of projects to be considered and the level of assistance to be provided. The Board has also provided delegated levels of authority. In terms of human resource management, the Board has approved a succession plan that identifies possible replacements for key positions, and provides strategies for developing and/or acquiring individuals to meet future organizational needs.

The Corporation also has in place a Code of Conduct that requires employees and representatives of ECBC to adhere to the highest standards of conduct with respect to conflicts of interest. Compliance with these standards is achieved through avoidance, disclosure, discontinuance or divestment.

ECBC has also developed a disaster recovery plan for its information systems in the event of system failure due to unforeseen circumstances.

In an effort to identify and correct potential internal control deficiencies, the Corporation established an Internal Audit Unit in 2000 that works in conjunction with the Board of Directors and the Office of the Auditor General of Canada. The principal objectives of the internal audit function are to:

- assist Management in achieving and maintaining efficiency and effectiveness in its operations with due regard to economy;
- report the degree of compliance with established policies, plans and procedures, applicable laws and regulations; and
- review control over assets and expenditures.

The Board of Directors' Audit Committee oversees the Internal Audit Unit. The audit committee comprises of four outside Directors, one of whom acts as Chair.

Management absents itself at the end of each Audit Committee meeting to afford the committee members an opportunity to ask questions of either the Office of the Auditor General or the Director of Internal Audit, without Management present.

The ECBC Board is focused on risk management as is evident by their attendance at corporate governance training sessions and the self-assessment and benchmarking exercises conducted by the Conference Board of Canada.

In the area of internal controls, the Corporation has established a clear separation of duties that enables it to better detect and prevent errors. A procedure is in place whereby new vendor accounts are established for all first time providers of goods and services to the Corporation. The system generates a report that is subject to review and approval by the Director General of Corporate Services. ECBC also maintains a fire-proof vault on the premises for the storage of important historical and legal documents. Further to a recommendation from the Office of the Auditor General, a dry chemical fire supression system was installed in the Corporation's main server room in 2003-2004.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH

The Corporation maintains cash in a Canadian chartered bank and receives interest on a monthly basis. Interest is calculated on the average monthly balance at prime rate minus 1.75%. At March 31, 2004, the cash balance was $6,653,082 and the interest rate paid by the bank was 2.266%.

LOANS

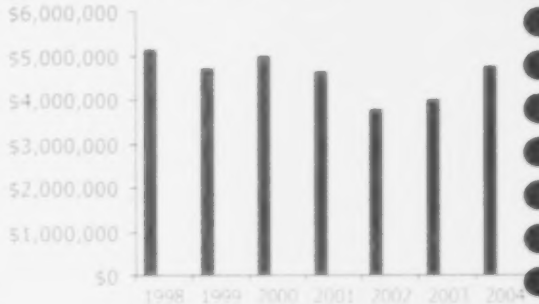
Several types of loan instruments are used by the Corporation including forgivable loans, interest bearing loans, non-interest bearing loans and conditionally repayable contributions.

The amount of forgiveness and all conditionally repayable contributions are charged to operations when the loan is issued. If terms and conditions of the loan contract are not fulfilled, the forgiveness or conditionally repayable amounts are reversed and the balance becomes receivable.

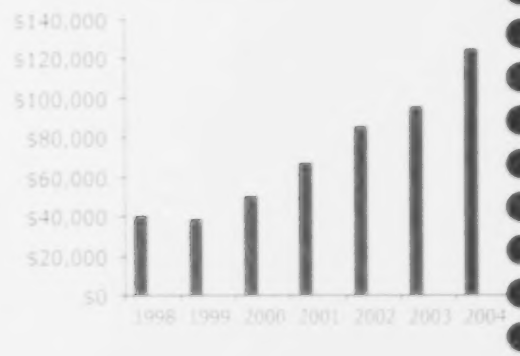
The Corporation has focused on providing a mix of investment vehicles to clients including loans, grants and conditionally repayable contributions in order to achieve the appropriate balance required by clients to grow and expand their business yet maximize the return on capital to the Corporation. By increasing the loan portfolio, all payments collected can again be loaned to clients in subsequent years.

During the year, the Corporation disbursed $1.4 million in loans to clients, in addition to grants and contributions under the various programs administered by ECBC. The total loans and repayable contributions outstanding at March 31, 2004 are $4,742,247 and consist of 38 accounts. The average loan and repayable contribution balance is $124,795 in 2004 (2003 - $97,455), an increase from $39,893 in 1998.

LOANS RECEIVABLE AND REPAYABLE CONTRIBUTIONS



AVERAGE LOAN AND REPAYABLE CONTRIBUTION BALANCE



It is evident from the chart and there has been a planned shift to lending funds if it meets the needs of the client. Collections on loans totalled $551,099 (2003 - $604,373) during the year, which represents 17% (2003 - 25%) of the previous year's closing net balance and is $301,000 in excess of the Corporate Plan budget.

	1998	1999	2000	2001	2002	2003	2004
Forgivable loans	$ 9,748	$283,036	$282,938	$ 52,065	$ (374,111)	$ -	$ -
Loan repayments	142,263	434,277	388,609	351,829	585,064	604,373	551,099
Loans disbursed	1,280,256	371,116	820,142	229,668	806,077	1,330,099	1,408,314
Conditionally repayable contributions	-	-	3.1 M	9.0 M	3.7 M	1.7 M	3.7 M

MANAGEMENT DISCUSSION AND ANALYSIS

CASH

The Corporation maintains cash in a Canadian chartered bank and receives interest on a monthly basis. Interest is calculated on the average monthly balance at prime rate minus 1.75%. At March 31, 2004, the cash balance was $6,653,082 and the interest rate paid by the bank was 2.266%.

LOANS

Several types of loan instruments are used by the Corporation including forgivable loans, interest bearing loans, non-interest bearing loans and conditionally repayable contributions.

The amount of forgiveness and all conditionally repayable contributions are charged to operations when the loan is issued. If terms and conditions of the loan contract are not fulfilled, the forgiveness or conditionally repayable amounts are reversed and the balance becomes receivable.

The Corporation has focused on providing a mix of investment vehicles to clients including loans, grants and conditionally repayable contributions in order to achieve the appropriate balance required by clients to grow and expand their business yet maximize the return on capital to the Corporation. By increasing the loan portfolio, all payments collected can again be loaned to clients in subsequent years.

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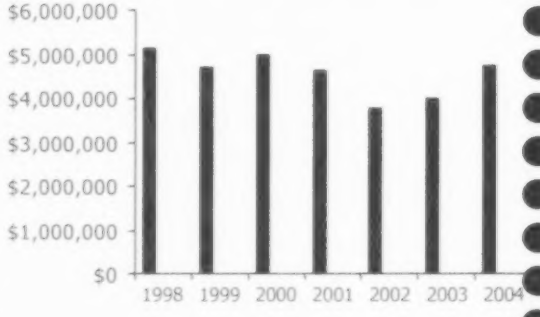

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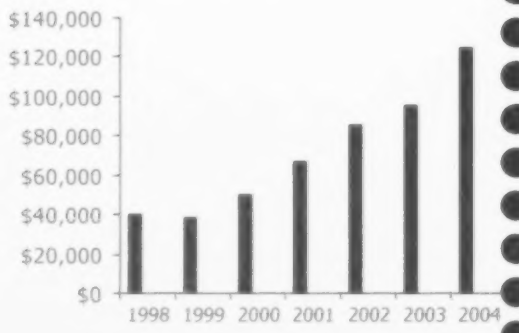

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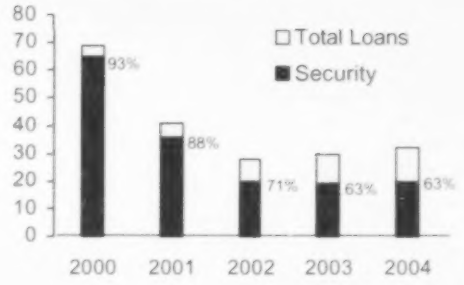
Conditionally repayable contributions	-	-	3.1 M	9.0 M	3.7 M	1.7 M	3.7 M

As part of the due diligence process conducted by program officers, the Corporation mitigates the risk of loss by obtaining security, where appropriate, from the majority of clients. The Corporation holds security on 63% (2003 - 63%) of the loans outstanding at March 31, 2004. Security is obtained to protect the Corporation in the event of loan default. Security includes any one or a combination of the following: 1st and 2nd position mortgages on land and buildings; chattel mortgages; personal and corporate guarantees; general security agreements; first and floating debentures or promissory notes.

SECURITY PORTFOLIO

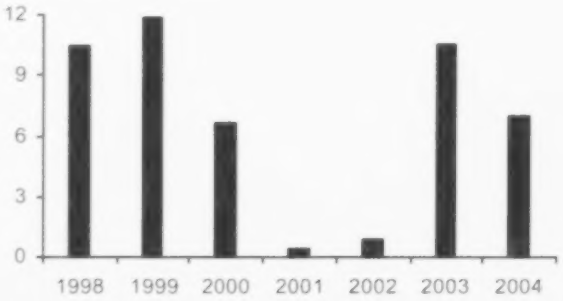


PROVISION FOR LOAN IMPAIRMENT

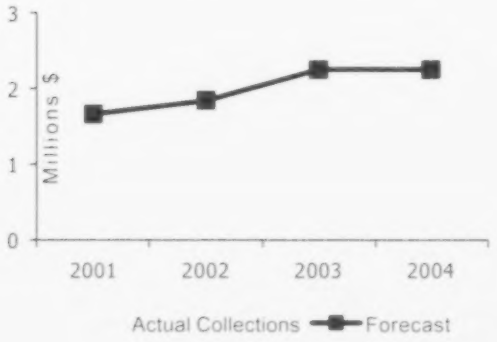
The provision for loan impairment as a percentage of the loan balance outstanding ranges from .5 to 11.9% over the past seven years. The current year provision is 7.1% of the loans outstanding.

The allowance for loan impairment has been determined on an individual loan basis based on current information at year end and Management's knowledge of the entity's circumstances. If it is felt that the collection may not be received on a timely basis, a provision for loan impairment is recorded in the financial statements.

PROVISION FOR LOAN IMPAIRMENT AS % OF LOAN RECEIVABLE



ACOA RECEIVABLES PORTFOLIO



ACOA

Collections on the ACOA portfolio managed by ECBC for the 2003/2004 fiscal year totalled $2,840,000 (2003 - $2,574,000), which is 126% (2003 - 120%) of the established target amount.

The Corporation has not only met ACOA's collection targets for the past four years, it has exceeded the target as displayed in the accompanying chart.

The collection efforts of the Corporation have also resulted in the arrears rate of ACOA receivables being 0% (2003 - 0%) in 2004. The results have been achieved due to the concerted efforts of both collection staff and program officers.

EQUITY INVESTMENTS

There was no activity involving equity investments during the year. Therefore, the total number of equity investments remains at six, and the investment outstanding is $2.1 million.

The Corporation has recorded an allowance for valuation adjustment of $217,687 to reduce the carrying value of the investments to the amount estimated using discounted expected future cash flows, in accordance with the Corporation's accounting policy.

INVESTMENT IN SUBSIDIARIES

CAPE BRETON GROWTH FUND CORPORATION

The Corporation has recorded the investment of $1 in the Cape Breton Growth Fund Corporation (CBGF) on the cost basis as the Governor in Council has instructed the CBGF to act as a parent. Therefore, control or significant influence does not exist and consolidated financial statements are not prepared.

DARR (CAPE BRETON) LIMITED

An inactive wholly owned subsidiary previously involved in property holdings was reactivated during the year, however, there was no activity in 2003/2004. In accordance with the 2004/2005 Corporate Plan, DARR will become involved in managing ECBC property holdings.

CAPITAL ASSETS

Capital assets increased by $407,193 (less than the Corporate Plan amount of $450,000) as a result of planned acquisitions of equipment and renovations to existing properties. The property acquisitions and renovations undertaken enable the Corporation to provide accommodations and services for growing, developing businesses throughout the mandate area.

PROVISION OF SERVICES - ACOA

The Corporation administered $24,828,162 (2003 - $16,034,141) of various ACOA programs during 2003/2004 and recovered $2.9 million (2003 - $2.8 million) for salaries, professional fees and other operating costs related to delivering services pursuant to the ECBC/ACOA MOU.

OPERATING AND DEVELOPMENT ACTIVITIES

ECBC's total parliamentary appropriation was $28.295 million in 2003/2004, including $14 million directed to the subsidiary, Cape Breton Growth Fund Corporation.

Development expenses incurred totalled $10.7 million compared with the Corporate Plan budget of $11.4 million. The Corporation provided $1.0 million in direct support to business and $9.4 million in support to communities including the CAF. In addition, other areas of focus included in the Corporate Plan such as investment, policy and advocacy, totalled $.3 million.

(000s)	ACTUAL	CORPORATE PLAN
	2003/2004	2003/2004
Support to business	$ 986	$ 2,508
Support to communities	9,414	8,100
Investment	-	450
Policy and Advocacy	311	400
	$ 10,711	$ 11,458

In addition to the above-noted non-repayable assistance, the Corporation provided loans to businesses totalling $1.4 million (2003 - $1.3 million) and equity investments of nil in 2004 (2003 - $.5 million), which is not reflected in the above expenditures as the loans and investments are repayable. The combined repayable and non-repayable assistance in 2003/2004 totalled $12.1 million which is $.7 million greater than budget. The additional funds were available to be provided to applicants in development assistance as a result of recoveries being $.4 million in excess of budget, combined with the savings in general and administrative expenses of $.6 million. The excess revenues are related to additional loans and repayable contribution collections, bad debt recoveries and other income. Therefore, it is felt the Corporation did indeed exceed its planned mandate.

The Corporation will continue to focus on the above noted development areas in the 2004/2005 fiscal year.

PROGRAM SUPPORT

The Corporation employs 48 individuals delivering programs, administering payments, collections, trade and development work and various other functions. These individuals are located in offices in both Sydney and Port Hawkesbury to ensure that access to our programs and services is available locally to all clients of our mandate area.

Staff deliver ECBC, ACOA and CBGF programming. In order to better capture time spent in each area, the Corporation developed, tested and implemented an electronic time-keeping system during the prior year. All employees enter their time electronically allocated to ECBC, ACOA and CBGF on a daily basis. The time system assists in providing a reasonably accurate reflection of time spent and costs recoverable for the program areas.

The actual administrative costs are reasonable in relation to budget and the prior year as detailed below.

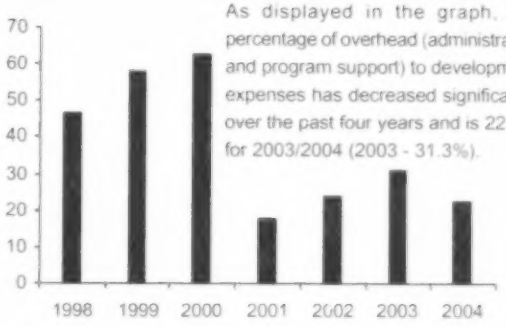
(000s)	ACTUAL	ACTUAL	CORPORATE PLAN
	2002/2003	2003/2004	2003/2004
General administration	$ 1,423	$ 1,636	$ 1,375
Program support	1,288	777	1,450
	$ 2,711	$ 2,413	$ 2,825

Program support costs are $511,190 less than the prior year and $673,467 less than budget due to a number of factors. Cost savings were realized due to staff departures and secondment arrangements in addition to an increased focus on cost containment given the Government of Canada's measures of expenditure review.

As well, the ACOA funding allocation for 2003/2004 significantly increased due to SCIF, AIF and trade projects. Therefore, more time has been spent by ECBC staff in 2003/2004 evaluating and processing ACOA files this fiscal year.

Overall, administrative and program support costs are $412,139 under budget which translates into more monies being available to fund development projects in our mandate area.

OVERHEAD AS A % OF DEVELOPMENT EXPENSES

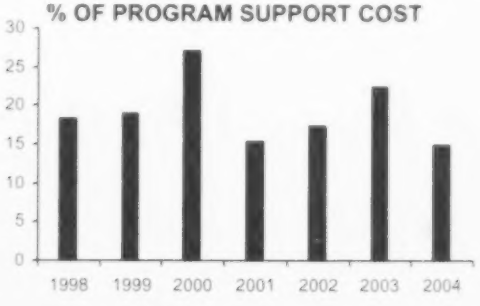


As displayed in the graph, the percentage of overhead (administrative and program support) to development expenses has decreased significantly over the past four years and is 22.5% for 2003/2004 (2003 - 31.3%).

It is important to note that the cost of efforts required to deliver and collect loans are included in the overhead costs, however, since loans are not included in development expenses, they are not captured in the previous graph. If the amount of loans and investments disbursed was factored in, the percentage for 2004 would be 19.9% (2003 - 25.8%).

The combined ECBC/ACOA program support costs are 15.1% (2003 - 22.6%) of the total programs delivered for ECBC and ACOA, which is reasonable in relation to the rates for the previous six years (as displayed in the graph).

% OF PROGRAM SUPPORT COST



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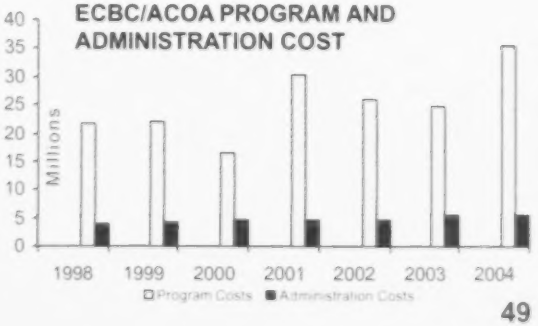

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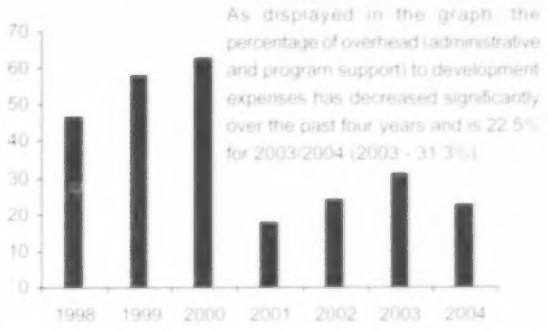

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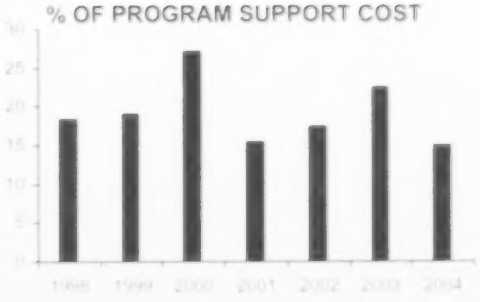

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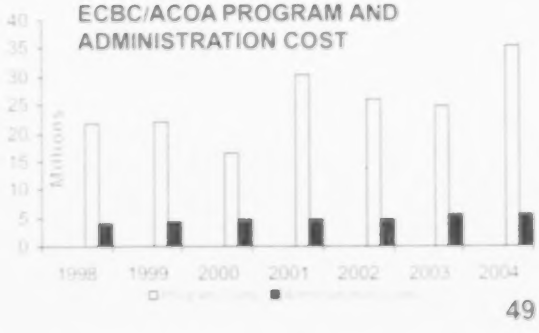


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities. Management is also responsible for ensuring that assets are safeguarded, proper records are maintained to produce timely, reliable financial statements and overseeing a comprehensive internal audit program. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation has an internal audit unit, whose functions include reviewing internal controls and their application on an ongoing basis.

The Audit Committee of the Board of Directors has periodic meetings with management, the independent auditors and the internal auditor to discuss the financial reporting process as well as accounting and reporting issues. The financial statements are reviewed and approved by the Board of Directors upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express her opinion thereon. The independent auditor has full and unrestricted access to the Audit Committee to discuss her audit and related findings.

Rick Beaton
Vice-President and
Chief Operating Officer

Frances L. Marenick, CA
Acting Director General, Corporate Services

Sydney, Nova Scotia
May 21, 2004

AUDITOR'S REPORT

To the Minister for the purposes of the *Atlantic Canada Opportunities Agency Act*

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 2004 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.

Shahid Minto, CA
Assistant Auditor General
for the Auditor General of Canada

Halifax, Canada
May 21, 2004

BALANCE SHEET

as at March 31, 2004

ASSETS

	2004	2003
Current assets		
Cash	$ 6,653,082	$ 4,473,523
Accounts receivable (note 3)	6,310,926	8,572,135
Prepaid expenses	66,323	59,794
	13,030,331	13,105,452
Loans, net (note 4)	3,748,286	3,205,429
Investments, net (note 5)	482,313	482,313
Investment in subsidiary (note 6)	1	1
Capital assets, net (note 7)	1,441,801	1,305,731
	$ 18,702,732	$ 18,098,926

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities (note 8)	$ 11,944,392	$ 12,178,146
Accrued employee severance benefits	555,321	465,100
	12,499,713	12,643,246

EQUITY

Equity of Canada	6,203,019	5,455,680
	$ 18,702,732	$ 18,098,926

Commitments (note 10)

See accompanying notes to the financial statements.

Approved by the Board of Directors:

Director

Director

STATEMENT OF OPERATIONS AND EQUITY

for the year ended March 31, 2004

	2004	2003
Program expenses		
Development expenses (note 9)	*$ 10,710,837*	*$ 8,655,209*
Contribution to the Cape Breton Growth Fund Corporation (note 6)	14,000,000	23,000,000
Program support and administrative expenses (note 9)	2,412,961	2,711,074
Rental and development facilities	592,960	194,422
Provision for loan impairment and investment valuation (notes 4 and 5)	314,357	643,396
Amortization	226,915	266,140
Total expenses	28,258,030	35,470,241
Revenue		
Rental facilities	417,500	110,355
Interest, investments and other	285,646	292,148
Gain on disposal of capital assets	7,223	652,067
	710,369	1,054,570
Activities on behalf of the Atlantic Canada Opportunities Agency (ACOA) (note 11)		
Program expenses	24,828,162	16,034,141
Salaries, professional and other	2,950,072	2,863,656
	27,778,234	18,897,797
Less: Costs recovered from ACOA	(27,778,234)	(18,897,797)
Net cost of operations before parliamentary appropriation	27,547,661	34,415,671
Parliamentary appropriation	28,295,000	35,017,000
Net income	747,339	601,329
Equity, beginning of year	5,455,680	4,854,351
Equity, end of year	$ 6,203,019	$ 5,455,680

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

for the year ended March 31, 2004

	2004	2003
Cash flows from (used for) operating activities		
Parliamentary appropriation received	$ 30,812,000	$ 34,308,000
Cash received from ACOA	27,237,106	16,401,359
Cash received from the Cape Breton Growth Fund Corporation for services performed	880,403	1,013,955
Cash received from investments and bank account	285,910	629,001
Cash received from rental activities and other parties	385,373	115,062
Payments made for program and administrative expenditures	(26,708,797)	(34,781,470)
Payments made on behalf of ACOA	(28,441,439)	(15,572,892)
Payments made on behalf of the Cape Breton Growth Fund Corporation	(831,921)	(935,766)
Payments made for severance benefits	(226,099)	(54,618)
	3,392,536	1,122,631
Cash flows from (used for) investing activities		
Loan repayments	551,099	604,373
Loan disbursements	(1,408,314)	(1,330,099)
Purchase of capital assets	(407,193)	(849,630)
Proceeds on disposal of capital assets	51,431	117,067
Equity investment repayment	-	100,000
Purchase of equity investment	-	(500,000)
	(1,212,977)	(1,858,289)
Net increase (decrease) in cash	2,179,559	(735,658)
Cash, beginning of year	4,473,523	5,209,181
Cash, end of year	$ 6,653,082	$ 4,473,523

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

1. THE CORPORATION

Authority and objectives

Enterprise Cape Breton Corporation was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act, Atlantic Canada, 1987*) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

The Corporation has entered into a memorandum of understanding with the Atlantic Canada Opportunities Agency establishing the arrangements for the Corporation to deliver the Agency's programs on the Island of Cape Breton.

On August 25, 2000, the Cape Breton Growth Fund Corporation (Growth Fund) was incorporated under the *Canada Business Corporations Act* as a wholly owned subsidiary of Enterprise Cape Breton Corporation. The Growth Fund was created to administer federal and provincial funding designed to assist in the adjustment of the local economy as a result of the Government of Canada's decision to close or privatize its coal mines in Cape Breton. The Governor in Council has directed the Growth Fund to act as a parent Crown corporation for the purposes of Part X of the *Financial Administration Act*. The Growth Fund has the same mandate as the Corporation. The Governor in Council has also directed that after the Growth Fund's funding is fully committed, the remaining assets and liabilities are to be transferred to the Corporation and the Growth Fund will be dissolved.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Parliamentary appropriations

Parliamentary appropriations are recorded as funding in the statement of operations and equity in the year approved. The drawdowns against these appropriations are based upon cash requirements.

b) Loans

Loans are recorded at the lower of cost and estimated net realizable value. Loans initially granted at a zero percent interest rate are recorded at the nominal amount of the loan.

Certain loans are subject to terms of forgiveness or are conditionally repayable as stipulated in the loan contract. The amount of forgiveness and all amounts conditionally repayable are charged to operations when the loan is issued. If terms and conditions are not fulfilled, the forgiveness or conditional repayable amounts are reversed and the balance becomes due and receivable by the Corporation.

Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is unlikely.

c) Allowance for loan impairment

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and, where applicable, interest. A specific allowance is established on an individual loan basis, to reduce the recorded value of the loan to its estimated net realizable value if there is doubt as to the timely collection on a particular loan. Impaired loans are measured according to their estimated realizable amounts by discounting expected future cash flows at the effective interest rate inherent in the loans. For loans granted with a zero percent interest rate, impairment is calculated based on the expected future cash flows using the zero percent rate associated with the loan. This reflects a zero cost of capital for these loans because they are funded by appropriations provided by the Government of Canada. When future cash flows cannot be estimated with reasonable reliability, the estimated realizable amounts are measured at the fair value of any security underlying the loans, net of any expected costs of realization.

Initial and subsequent changes in the amount of impairment are recorded as a charge or credit to the allowance for loan impairment.

d) Interest income

Interest income is recorded on the accrual basis. When a loan becomes impaired, interest income ceases to be recognized. Recognition of interest income recommences when the specific allowance for loan impairment is reversed.

e) Investments

The Corporation has invested in preferred equity holdings. These are recorded at the lower of cost and estimated net realizable value. Estimated net realizable value is measured by discounting expected future cash flows. The discount rate used is based on the Consolidated Revenue Fund lending rate to Crown corporations. Investment income is recorded on an accrual basis. The Corporation records an allowance for doubtful investments for the amount by which the value of the investment has been impaired and an allowance for valuation adjustment to reflect the lower of fair value or carrying value.

f) Investment in subsidiary

The Corporation accounts for its investment in the Cape Breton Growth Fund Corporation on a cost basis because the Governor in Council has instructed the Growth Fund to act as a parent Crown corporation for purposes of Part X of the *Financial Administration Act*. Therefore, the Corporation does not control or have significant influence over the Growth Fund.

g) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 20 years
Equipment and furniture	5 years
Computer equipment and software	2 to 3 years
Leasehold improvements	up to 20 years
Vehicles	5 years

h) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

i) Severance benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned. There are no other significant post-employment benefits.

The liability for severance benefits is estimated using discounted cash flows, based on current entitlements.

j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and the disclosure of commitments at the date of the financial statements. Despite the use of the Corporation's best estimates, it is reasonably possible that the estimates for loans and investments could change materially in the near term.

3. ACCOUNTS RECEIVABLE

	2004	2003
Due from the Atlantic Canada Opportunities Agency (note 11)	$ 6,050,378	$ 5,702,487
Parliamentary appropriation	-	2,517,000
Cape Breton Growth Fund Corporation	98,318	142,998
Harmonized sales tax rebate	48,975	128,260
Other receivables	113,255	81,390
	$ 6,310,926	$ 8,572,135

The amount from the Atlantic Canada Opportunities Agency relates to expenditures made on behalf of the Agency pursuant to a memorandum of understanding. The amount due from the Cape Breton Growth Fund Corporation is for services performed on its behalf. Other receivables are incurred in the normal course of business with no significant concentration of debtors.

Accounts receivable are due on demand, are non-interest bearing and the carrying amounts approximate fair values because of their short term to maturity.

4. LOANS

At March 31, 2004 the Corporation had a portfolio of 38 loan accounts (2003 - 41). These loans are issued in order to promote economic development to support the corporate mandate. The total portfolio consists of:

	2004			2003
Annual Interest Rate	Amount Due	Allowance	Carrying Value	Carrying Value
0%	$ 3,938,193	$ (993,961)	$ 2,944,232	$ 2,286,757
Less than 10%	537,320	-	537,320	601,651
10% and over	265,000	-	265,000	315,000
	4,740,513	(993,961)	3,746,552	3,203,408
Interest receivable	1,734	-	1,734	2,021
Total loans	$ 4,742,247	$ (993,961)	$ 3,748,286	$ 3,205,429

The Corporation has 8 debtors (2003 - 8) representing 66% of the amount due (2003 - 72%).

Included in the loan balance is a mortgage of $472,000 (2003 - $514,000) on property which the Corporation sold during the previous year.

The allowance for loan impairment consists of:

		2004		2003
Beginning Balance	Write-offs	Annual Provision	Ending Balance	Balance
$ 790,237	$ (134,434)	$ 338,158	$ 993,961	$ 790,237

The fair value of loans, determined using discounted expected future cash flows, approximates $3.1 million (2003 - $2.5 million). The difference between the fair value and the carrying value results from 83% (2003 - 77%) of the loan portfolio having a zero percent interest rate.

Repayment dates of the loans are as follows:

Date Due	2004 Amount Due	2004 Allowance	2004 Carrying Value	2003 Carrying Value
Past Due	$ 140,377	$ (113,534)	$ 26,843	$ 108,623
2004	-	-	-	448,722
2005	1,014,085	(107,465)	906,620	519,247
2006	692,390	(166,273)	526,117	553,802
2007	767,368	(163,871)	603,497	483,217
2008	934,152	(142,925)	791,227	644,890
2009 & beyond	1,192,141	(299,893)	892,248	444,907
	4,740,513	(993,961)	3,746,552	3,203,408
Interest receivable	1,734	-	1,734	2,021
	$ 4,742,247	$ (993,961)	$ 3,748,286	$ 3,205,429

Forgivable loans totalling $169,784 (2003 – $178,843) are not included in the loan portfolio. The statement of operations and equity includes a recovery of nil (2003 – nil) for forgivable loans.

Conditional repayable contributions totalling $21.2 million (2003 – $17.5 million) are not included in the loan portfolio. The statement of operations and equity includes a charge of $3.7 million (2003 – $1.7 million) to development expenses for the disbursement of conditional repayable contributions during the year. There were no conditional repayable contributions that became due and receivable by the Corporation (2003 – nil) during the year.

In 1999, the Corporation transferred ownership of the Sydport Industrial Park to a private sector group. The original sale price for this transaction was $3.1 million. The balance outstanding at March 31, 2004 is $3.1 million (2003 – $3.1 million). The intent of the agreement is that credit for the mortgage and interest will be earned by the private sector group through creation of jobs and investment in the Park. If the purchaser significantly violates the terms of the agreement, the Corporation has the right to retake possession of the property.

5. INVESTMENTS

The Corporation has made investments to promote economic development in Cape Breton. The balance consists of:

	2004 Cost	2004 Allowances	2004 Carrying Value	2003 Carrying Value
Shares	$ 2,100,000	$(1,617,687)	$ 482,313	$ 482,313

The shares consist of non-voting, redeemable, and retractable preferred shares in private sector entities. No dividends were received or declared during the year (2003 - nil).

Management has recorded these investments net of an allowance for impairment of $1.4 million and an allowance for valuation adjustment of $217,687 (2003 - $1.4 million and $217,687 respectively). The fair values of investments, determined using discounted expected future cash flows, approximate their recorded carrying value.

6. INVESTMENT IN SUBSIDIARY

A summary of the audited financial position and results for the fiscal year of operation of the Growth Fund are:

Balance Sheet	As at March 31, 2004	As at March 31, 2003
Assets	$ 73,033,509	$ 60,595,845
Liabilities	$ 978,584	$ 280,444
Shareholder's equity	$ 72,054,925	$ 60,315,401

Statement of Operations	Year ended March 31, 2004	Year ended March 31, 2003
Program expenses	$ (6,329,893)	$ (4,457,112)
Program support and administrative expenses	(1,015,129)	(1,317,521)
Interest income	2,084,546	1,564,707
Funding from Enterprise Cape Breton Corporation	14,000,000	23,000,000
Other government funding	3,000,000	3,000,000
Net income after government funding	$ 11,739,524	$ 21,790,074

The Growth Fund has issued one $1 share. This share represents the Corporation's investment in the Growth Fund and is accounted for using the cost basis of accounting. Therefore, the results of the Growth Fund are not reflected in these financial statements.

7. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization & Write Down	Net Book Value	Net Book Value
Land for development	$ 506,680	$ 341,596	$ 165,084	$ 193,492
Equipment, furniture and leasehold	2,093,093	1,745,254	347,839	460,194
Rental facilities	3,113,050	2,184,172	928,878	652,045
	$ 5,712,823	$ 4,271,022	$ 1,441,801	$ 1,305,731

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
Due to the Atlantic Canada Opportunities Agency (note 11)	$ 7,654	$ 200,891
Payable on behalf of the Atlantic Canada Opportunities Agency	7,012,411	7,675,616
Harmonized sales tax payable	171,498	442,405
Other payables	4,752,829	3,859,234
	$ 11,944,392	$ 12,178,146

The amounts due to and payable on behalf of the Atlantic Canada Opportunities Agency relate to activities on behalf of the Agency pursuant to the memorandum of understanding. Other payables are subject to normal commercial conditions and relate to development and administrative expenses.

9. PROGRAM EXPENSES

Development and other program expenses consist of:

	2004	2003
Development expenses		
Support to business	$ 986,285	$ 2,936,629
Support to communities	9,413,551	5,081,159
Policy and advocacy	311,001	344,473
Trade and investment	-	264,238
Image	-	28,710
	$ 10,710,837	$ 8,655,209
Program support and administrative expenses		
Program support	$ 776,533	$ 1,287,723
Administrative	1,636,428	1,423,351
	$ 2,412,961	$ 2,711,074

10. COMMITMENTS

(a) As at March 31, 2004, the Corporation had outstanding commitments for development programs totalling $1,259,549 (2003 - $10,907,182).

(b) Future minimum payments by fiscal year on operating leases in excess of one year are as follows:

2005	$ 507,055
2006	42,255
	$ 549,310

11. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the cost of services provided by other federal government departments, agencies, and Crown corporations are reflected in the statement of operations and equity and totalled $118,818 (2003 - $154,398). These transactions are in the normal course of operations and are recorded at the exchange amount.

The Corporation has entered into a memorandum of understanding with the Cape Breton Growth Fund Corporation that governs the amount of the contribution to the Growth Fund and the provision of administrative and program support services. In addition, the Corporation provided and recovered program and administrative support of $835,723 (2003 - $943,786).

12. PENSION PLAN

During the year the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA. Contributions to the PSSA during the year were as follows:

	2004	2003
Corporation	$ 433,740	$ 433,094
Employees	199,615	196,897
	$ 633,355	$ 629,991

13. SEVERANCE BENEFITS

The expense for the Corporation's severance benefits for the year ended March 31, 2004 is $307,229 (2003 – $127,473).

14. COMPARATIVE FIGURES

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

GLOSSARY OF TERMS

ACOA: Atlantic Canada Opportunities Agency is a federal government agency, headquartered in Moncton, New Brunswick. ACOA's goal is to improve the economy of Atlantic Canadian communities through the successful development of business and job opportunities. (Fr: APECA)

AIF: Atlantic Innovation Fund. A component of the AIP. (Fr: FIA)

AIP: Atlantic Investment Partnership. A $700-million ACOA initiative making investments in four major areas: innovation, community economic development, trade and investment, and entrepreneurship and skills development. (Fr: PICA)

ATIP: The Atlantic Trade and Investment Partnership is a $54-million comprehensive strategy, funded by ACOA, to strengthen the performance of the Atlantic region and to increase foreign direct investment. (Fr: PCICA)

BSE: Bovine Spongiform Encephalopathy, otherwise known as mad cow disease, is a chronic, degenerative disorder affecting the central nervous system of cattle. (Fr: EBS)

BDP: Business Development Program. (Fr: PDE)

CAF: Community Adjustment Fund. (Fr: FAC)

CAS: Consulting Advisory Services. (Fr: *PSC*)

CBDCs: Community Business Development Corporations are autonomous, not-for-profit corporations, which serve rural Atlantic Canada supported by ACOA. They assist in the creation of small businesses, and in the expansion modernization and stabilization of existing businesses. CBDCs offer both technical and financial services for entrepreneurs in their respective regions. (Fr: CLDE)

CBGF: The Cape Breton Growth Fund Corporation was incorporated in August 2000 and is responsible for the delivery of the economic adjustment funding made available by the Government of Canada and the Province of Nova Scotia following the closure of the Cape Breton Development Corporation. (Fr: FICB)

Commercial: An individual, sole proprietorship, partnership, co-operative, a body corporate (including Crown corporations), or any trustee or legal representative who carries on, or is about to carry on, legitimate profit driven business activities on Cape Breton Island, but does not include a government or municipality. (Fr: *Entite commerciale*)

Economic Dependency Ratio- shows the amount of government transfer dollars for every $100 of income in Cape Breton. (Fr: *Rapport de dépendance économique*)

EDA: The Canada/Nova Scotia COOPERATION Agreement on Economic Diversification. (Fr: *Entité non commerciale*)

Exports: Includes sales to destinations outside of Canada, tourism receipts from outside Canada and import substitution of goods and services from outside Canada. (Fr: *Exportations*)

Full-time Equivalent Jobs (FTEs): Permanent, direct, seasonal or part-time jobs converted to the equivalent of full-time jobs at the approved conversion rates. (Fr: ETP)

GOL: Government On-Line is a strategy to provide key government services electronically by 2004 through common government-wide infrastructure. (Fr: GED)

Investment: Refers to Foreign Direct Investment (FDI) meaning investment in Canada that originated outside of the country as well as Canadian investment from outside Cape Breton Island. (Fr: *Investissement*)

Job Created:* Direct FTE jobs created in the operation, as a result of the eligible project, prior to the project completion date, and which are expected to last at least five years. Jobs are pro-rated among funding from a number of sources administered by ECBC based on the proportionate amount of the aggregate project investment contributed by each. (Fr: *Emplois créés*)

Leverage: Is calculated by subtracting the total amount of assistance from the total project cost. Leverage includes the applicant's equity, private investors/lenders and other sources of government financing. Funding from a number of sources administered by ECBC (for the same project) is not counted as leverage. (Fr: *Effet de levier*)

Non-commercial: A not-for-profit entity that may include a municipal government, not-for-profit Crown corporation, a not-for-profit organization owned or controlled by a provincial or municipal government, a local economic development association, an institute or a university. (Fr: *Entité non commerciale*)

OLA: The Official Languages Act is an Act respecting the status and use of the Official Languages of Canada. (Fr: LLO)

PIPEDA: Personal Information Protection and Electronic Documents Act is a new legislation implemented by the federal government to protect the privacy of Canadians in the private sector. (Fr: LPRPDE)

Priority Sectors: ECBC has established four strategic sectors for assistance: knowledge-based, tourism, manufacturing and processing and resource-based. (Fr: *Secteurs prioritaires*)

Project: An initiative undertaken by ECBC either by itself or in conjunction with one or more third parties. Projects are recorded in the month an applicant's application is approved. (Fr: *Projet*)

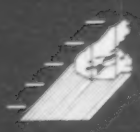
RDA: Regional Development Agency. (Fr: ODR)

SARS: A viral respiratory illness, otherwise known as Severe Acute Respiratory Syndrome. (Fr: SRAS)

SCIF: The Strategic Community Investment Fund provides $135 million over five years to help communities in Atlantic Canada create an environment that encourages and enhances economic development. (Fr: FISC)

Strategic Priorities: ECBC has defined strategic priorities in the case of the following: support to business, support to communities, investment, advocacy, policy and research, and the Community Adjustment Fund. (Fr: *Priorités stratégiques*)

* Jobs are calculated using the definitions contained in Measuring Job Impacts: Definitions and Examples, Atlantic Canada Opportunities Agency



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